

In the opinion of Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, Bond Counsel, based upon an analysis of existing laws, regulations, ruling and court decisions and assuming, among other things, compliance with certain tax covenants described herein, the interest on the Bonds received by the holders of the Bonds is excluded from gross income for federal tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, the interest on the Bonds and received by such holders of the Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. See "TAX MATTERS" herein.



\$10,535,000
ABAG FINANCE AUTHORITY
FOR NONPROFIT CORPORATIONS
Variable Rate Demand Refunding Revenue Bonds
(On Lok Senior Health Services And On Lok Community Housing, Inc.), Series 2004

Dated: Date of Delivery

Due: August 1, 2034

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Potential investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Bonds will initially bear interest at a Weekly Rate payable on the first Business Day of each month, commencing March 1, 2004. The Bonds may be converted to a Daily Rate Mode, Term Rate Mode, Auction Rate Mode, Flexible Rate Mode or a Fixed Rate Mode. The Bonds are being issued pursuant to an Indenture, dated as of February 1, 2004 (the "Indenture"), by and between ABAG Finance Authority for Nonprofit Corporations (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee"). The Authority will lend the proceeds of the Bonds to On Lok Senior Health Services and On Lok Community Housing, Inc. (the "Borrowers"), pursuant to a Loan Agreement, dated as of February 1, 2004 (the "Loan Agreement"), between the Authority and the Borrowers. The Bonds are special obligations of the Authority payable solely from and secured by certain Revenues pledged under the Indenture, consisting primarily of Loan Payments made by the Borrowers under the Loan Agreement and certain other funds as provided in the Indenture.

The Bonds will refund certain revenue bonds previously issued for the benefit of the Borrowers, fund a Reserve Fund, and pay certain costs of issuance. See "PLAN OF FINANCING" herein.

The Bonds will be issued in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only. The Bonds will have denominations of (i) during an Auction Rate Mode, \$25,000 and any integral multiple thereof, (ii) during a Daily Rate Mode, Weekly Rate Mode or Flexible Rate Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof, and (iii) during a Term Rate Mode and the Fixed Rate Mode, \$5,000 and any integral multiple thereof. Purchasers of the Bonds will not receive physical certificates representing their beneficial ownership interests in the Bonds purchased. Payments of principal of, premium, if any, and interest on the Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See **APPENDIX C - "BOOK-ENTRY ONLY SYSTEM"**.

Payment of the principal of and interest on, and purchase price of the Bonds will initially have the benefit of an irrevocable direct-pay letter of credit (the "Credit Facility") to be issued by Bank of America, N.A. (the "Bank"). The initial expiration date of the Credit Facility is February 1, 2008, as extended or earlier terminated prior thereto as described herein. See "THE BANK AND THE CREDIT FACILITY" herein. The Bonds are offered solely on the basis of the financial strength of the Bank and not on the financial strength of the Borrowers or any other security.

The Bonds are subject to optional, mandatory and extraordinary redemption and optional and mandatory tender, as described herein including mandatory tender upon expiration of the Credit Facility, unless renewed.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE INDENTURE. NEITHER THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE AUTHORITY, ABAG OR ANY OF ITS MEMBERS TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON AND ANY REDEMPTION PREMIUM WITH RESPECT THERETO DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE AUTHORITY OR ABAG, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES DESCRIBED HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

The Bonds are offered by the Underwriter when, as and if issued by the Authority and accepted by the Underwriter, subject to the approval of legality and certain other legal matters by Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, Bond Counsel, San Francisco, California, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority by Nixon Peabody LLP, San Francisco, California for the Borrowers by Leslie M. Lava, Esq., Sausalito, California, and for the Bank by Frandzel Robins Bloom & Csato, L.C., Los Angeles, California. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about February 3, 2004

CAIN BROTHERS

No dealer, broker, salesperson or other person has been authorized by the Authority, the Borrowers or the Underwriter to give any information or to make any representations with respect to the Bonds, other than those in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the forgoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information relating to the Authority contained herein under the heading “**INTRODUCTION – The Authority**” and “**ABSENCE OF MATERIAL LITIGATION – The Authority**” has been furnished by the Authority. The information relating to the Borrowers contained herein under the headings “**Introduction – The Borrowers,**” and “**Absence of Material Litigation – The Borrowers**” has been furnished by the Borrowers. All other information contained herein has been obtained from other sources (other than the Authority and the Borrowers) that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by and is not to be relied upon or construed as a promise or representation by the Authority, the Borrowers or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borrowers, the Bank or DTC since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAW, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON THE EXEMPTIONS CONTAINED IN SUCH ACTS. THE BONDS WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY HEREOF. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$10,535,000

**ABAG Finance Authority for Nonprofit Corporations
Variable Rate Demand Refunding Revenue Bonds
(On Lok Senior Health Services and On Lok Community Housing, Inc.), Series 2004**

INTRODUCTION

*This Introduction is subject in all respects to the more complete information included and referred to elsewhere in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement. See **APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS”** for summaries of various documents referred to herein and definitions of certain words and terms used herein.*

GENERAL

This Official Statement, including the cover page and the appendices hereto, is provided to furnish certain information in connection with the sale and issuance by the ABAG Finance Authority for Nonprofit Corporations (the “Authority”) of \$10,535,000 aggregate principal amount of the Authority’s Variable Rate Demand Refunding Revenue Bonds (On Lok Senior Health Services and On Lok Community Housing, Inc.) (the “Bonds”), Series 2004.

The Bonds will be issued pursuant to an Indenture, dated as of February 1, 2004 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Authority will lend the proceeds of the Bonds to On Lok Senior Health Services and On Lok Community Housing, Inc., each a California nonprofit public benefit corporation (the “Borrowers”), pursuant to a Loan Agreement, dated as of February 1, 2004 (the “Loan Agreement”), between the Authority and the Borrowers. The Bonds will refund the Prior Obligations, fund a Reserve Fund, and pay certain costs of issuance. See “**PLAN OF FINANCING**” herein.

The Bonds are being offered solely on the basis of the Credit Facility and the financial strength of Bank of America, N.A. (the “Bank”), and are not being offered on the basis of the financial strength of the Borrowers or any other security. Prospective purchasers of the Bonds that wish to make a full evaluation of the financial status of the Bank are advised to obtain financial statements of the Bank. See “THE BANK AND THE CREDIT FACILITY” herein.

This Official Statement has not been prepared or reviewed with regard to the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, and no continuing disclosure undertaking has been made with respect to the Bonds, in reliance on applicable exemptions which include securities like the Bonds which are subject to tender at par while they bear interest at a Weekly Rate and which have minimum denominations of at least \$100,000.

THE BORROWERS

Each Borrower is a California nonprofit public benefit corporation, and each Borrower is exempt from federal income taxes as a charitable organization described in Section 501(c)(3) of the Internal

Revenue Code. On Lok Senior Health Services was originally incorporated in 1971 and On Lok Community Housing, Inc. was originally incorporated in 1987.

On Lok Senior Health Services (“OLSHS”) offers a comprehensive health plan for the frail elderly. OLSHS provides care to approximately 940 (as of January 2004) frail older adults in San Francisco and Fremont, California. OLSHS’s enrollees, all of whom are qualified for nursing home care, receive the following services: primary and specialty medical care, adult day health care, in-home health and personal care, and hospital and nursing home care, as needed. (The package of combined services together is herein referred to as “PACE”--Program of All-Inclusive Care for the Elderly).

On Lok Community Housing, Inc. (“OLCHI”) owns a number of facilities and leases space to OLSHS and other On Lok corporations for PACE services and administrative functions; OLCHI also rents housing units to OLSHS’s PACE enrollees and space to a local nonprofit child development program.

The origins of the Borrowers and their services date back to 1971. They developed one of the country’s first day health centers, serving older adults in the Chinatown, North Beach and Polk Gulch neighborhoods of San Francisco. In 1979, OLSHS launched a Medicare-funded demonstration of a consolidated model of medical and long-term care, by adding in-home support services and complete medical services (including primary care, prescription drugs, acute hospital and nursing home services) to the adult day health care package. Permanent Medicare and Medicaid waivers followed in 1986. In 1997, PACE became a permanent provider type under Medicare, and states gained the option of providing PACE services under Medicaid. The PACE package of services is now offered by more than 39 other nonprofit organizations in approximately 30 states.

Under the PACE model of healthcare, an interdisciplinary team of physicians, nurses, physical and occupational therapists, recreation therapists, social workers, dietitians, transportation workers and other health aides coordinate a range of services. These services focus on keeping frail elders in their homes for as long as possible.

The locations of OLSHS’s PACE centers and teams are:

- 1333 Bush Street (two teams), San Francisco, CA
- 1426 Fillmore Street, San Francisco, CA
- 1000 Montgomery Street, San Francisco, CA
- 1441 Powell Street, San Francisco, CA
- 225 - 30th Street, San Francisco, CA
- 2700 Geary Street, San Francisco, CA
- 159 Washington Boulevard, Fremont, CA

SECURITY FOR THE BONDS

The Bonds are special obligations of the Authority payable solely from and secured by certain Revenues pledged under the Indenture, consisting primarily of the proceeds of draws paid under the Credit Facility which are deemed to satisfy the obligation of the Borrowers to make scheduled payments of principal and interest under the Loan Agreement and certain other funds as provided in the Indenture. The Loan Agreement contains certain covenants for the benefit of the Authority and the Bondholders. See “**SECURITY FOR THE BONDS**” and **APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS”** herein.

Payment of the principal of and interest on, and purchase price of, the Bonds will be made from the proceeds of draws paid under of an irrevocable, direct-pay letter of credit (the “Credit Facility”) to be issued by the Bank. The expiration date of the Credit Facility is February 1, 2008, as extended or earlier terminated prior thereto as described herein. See **“THE BANK AND THE CREDIT FACILITY”** herein.

AMENDMENTS TO THE DOCUMENTS

The Indenture and Loan Agreement may be modified or amended from time to time with the consent of the Bank and without the necessary of providing notice to, or obtaining the consent of, any Holder of the Bonds so long as the Bank has not lost its right to consent under the Indenture. Such amendments could be substantial and result in the modification, waiver or removal of existing covenants or restrictions contained in the Indenture and Loan Agreement. See **APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Indenture – Modification Without Consent of Bondholders”**.

THE AUTHORITY

The Authority is a joint powers agency duly organized and existing under the laws of the State of California. The Authority was formed pursuant to the terms of a Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990, and June 9, 1992, and the Joint Exercise of Powers Act (constituting Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California) in order to assist nonprofit corporations and other entities to obtain financing for projects located within the several jurisdictions of Authority members with purposes serving the public interest.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE INDENTURE. NEITHER THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”) OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE AUTHORITY, ABAG OR ANY OF ITS MEMBERS TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON AND ANY REDEMPTION PREMIUM WITH RESPECT THERETO DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE AUTHORITY OR ABAG, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES DESCRIBED HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

NO CONTINUING DISCLOSURE

So long as the Bonds are not converted to a Term Mode, Auction Mode or a Fixed Rate Mode the Bonds are exempt from the continuing disclosure requirements of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

OTHER MATTERS

The brief descriptions of the Borrowers, the Authority, the Bonds, the Indenture, the Loan Agreement, the Credit Facility, the Bank, the Letter of Credit and Reimbursement Agreement, dated as of February 1, 2004, between the Borrowers and the Bank (the "Reimbursement Agreement") and other documents, statutes, reports, and other instruments included in this Official Statement do not purport to be complete, comprehensive, or definitive. All references to the Indenture, the Loan Agreement and other documents, statutes, reports, and other instruments are qualified in their entirety by reference to such document, statute, report, or instrument, and all references to the Bonds are qualified in their entirety by reference to the form of the Bonds set forth in the Indenture.

Copies of the Indenture, the Loan Agreement, the Credit Facility and the Reimbursement Agreement are available for inspection at the offices of the Trustee, U.S. Bank National Association, One California Street, Suite 2550, San Francisco, California 94111, and, until delivery of the Bonds, at the office of the Underwriter, Cain Brothers & Company, LLC, 601 California Street, Suite 1505, San Francisco, CA 94108.

PLAN OF FINANCING

The Borrowers will use the proceeds of the Bonds, together with other available moneys, to (1) advance refund the remaining obligations evidenced by the Authority's outstanding \$13,300,000 California Health Facilities Financing Authority Insured Revenue Bonds (On Lok Senior Health Services and On Lok Community Housing, Inc.), 1992 Series A (the "Prior Obligations"); (2) fund a Reserve Fund in the amount of \$ \$609,164.88; (3) pay certain fees and expenses of the Bank; and (4) pay certain costs of issuance.

The Prior Obligations were issued in an original aggregate principal amount of \$13,300,000 and were used by Borrowers to finance and refinance costs of construction, renovation and equipping of certain of the Borrowers' multi-level facilities for the elderly located in San Francisco, California.

Proceeds of the Bonds will be deposited with the trustee for the Prior Obligations in an amount which, together with other available moneys held by such trustee, will be sufficient to pay the Prior Obligations on the date fixed for redemption, March 4, 2004, at a redemption price of par plus one percent.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Bonds.

ESTIMATED SOURCES

Proceeds of the sale of the Bonds at par	\$10,535,000.00
Prior Obligations Fund balances	1,969,712.73
Equity Contribution from Corporations	<u>34,995.00</u>
TOTAL	\$12,539,707.73

ESTIMATED USES

Payment of Prior Obligations	\$11,586,377.79
Deposit to Reserve Fund	609,164.88
Bank Fees and Expenses	98,470.06
Costs Issuance ¹	<u>245.695.00</u>
TOTAL	\$12,539,707.73

¹ Includes costs of issuance and underwriter's compensation.

THE BONDS

BOOK-ENTRY ONLY SYSTEM

The Bonds will be available in book-entry form only. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). Payments of principal, premium, if any, and interest on the Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See **APPENDIX C – "BOOK-ENTRY ONLY SYSTEM"**. So long as Cede & Co. is the registered owner of the Bonds, references herein to the Bondholders or Registered Owners of the Bonds mean Cede & Co. and not the beneficial owners of the Bonds.

The Borrowers and the Authority cannot and do not give any assurances that DTC will distribute to DTC Participants or that DTC Participants or others will distribute to the beneficial owners payments of principal of and interest and premium, if any, on the Bonds or any redemption or other notices, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Borrowers nor the Authority is responsible or liable for the failure of DTC or any DTC Participant or DTC Indirect Participant to make any payments or give any notice to a beneficial owner with respect to the Bonds or any error or delay relating thereto.

TERMS OF THE BONDS

The Bonds will be dated and bear interest from their dated date and will mature on August 1, 2034. The Bonds will be issued in the form of fully registered Bonds in Authorized Denominations.

Weekly Rate Mode. The Bonds will bear interest initially in the Weekly Rate Mode. Each Weekly Period (other than the first Weekly Period, which begins on the dated date of the Bonds) will begin on Thursday and end on the following Wednesday. By 4:00 p.m., New York City time, on the Business Day immediately preceding the first day of each Interest Period for the Bonds in a Weekly Rate Mode (or such other day as may be specified by the Remarketing Agent after notice to the Trustee, the Tender Agent and the Owners of the Bonds), the Remarketing Agent will determine the Weekly Rate for the Bonds by determining the Market Rate therefor on such day, which Weekly Rate will be effective for such Interest Period.

The other rate modes which may become applicable to the Bonds in the future are:

Daily Rate. By 10:00 a.m., New York City time, on each Business Day for the Remarketing Agent, the Remarketing Agent will determine the Daily Rate for the Bonds in a Daily Rate Mode by determining the Market Rate therefor on such day, which Daily Rate will be effective for the Interest Period beginning on such Business Day and ending on the day preceding the next succeeding Business Day.

Flexible Rate. By 12:00 noon, New York City time, on or before the first Business Day of each Interest Period for the Bonds in a Flexible Rate Mode, the Remarketing Agent will determine the Flexible Period and the Flexible Rate for such Bond, in the latter case by determining the Market Rate therefor on such day, which Flexible Rate will be effective for such Interest Period. The Flexible Period will be the period which, in the judgment of the Remarketing Agent, will produce the greatest likelihood of the lowest overall debt service cost on the Bonds prior to the maturity thereof, given prevailing market conditions.

Term Rate; Fixed Rate. On any date designated by the Remarketing Agent which is not more than 15 days preceding, nor later than 4:00 p.m., New York City time, on the Business Day immediately preceding, each Interest Period for Bonds in a Term Rate Mode or a Fixed Rate Mode, the Remarketing Agent will determine the Term Rate or the Fixed Rate, as the case may be, for the Bonds by determining the Market Rate therefor on such day, which Term Rate or Fixed Rate, as the case may be, will be effective for such Interest Period.

Auction Period Rate. During each Auction Period the Auction Period Rate to be in effect from time to time will be determined and notice thereof will be given in the manner described in **APPENDIX D – “AUCTION RATE MODE PROVISIONS”**, and each such Auction Period Rate will be effective for the Auction Period to which such Auction Period Rate relates.

Determining the Market Rate for Various Modes. The Remarketing Agent will make each determination of the Market Rate for any Bond, other than any Bond in an Auction Rate Mode, by determining in its judgment the minimum interest rate necessary to be borne by such Bond for the relevant Interest Period to enable the Remarketing Agent to remarket such Bond on the date the Bonds are changed to a different Interest Rate Mode, or continued in successive Interest Periods within the Daily Rate Mode, the Weekly Rate Mode, the Flexible Rate Mode or the Term Rate Mode, as the case may be, at a price (without regard to accrued interest) equal to the principal amount thereof; provided, however, that in no event will any rate so determined exceed the Maximum Rate. If the Remarketing Agent fails to determine the Market Rate or the Flexible Period for any such Bond on a rate determination date, or any Market Rate or Flexible Period for any such Bond determined by the Remarketing Agent on a rate determination date is determined by a court of competent jurisdiction to be invalid or unenforceable, then, effective on the first day of the Interest Period following such rate determination date or the date with respect to which such court's determination becomes effective, (1) in the case of a Bond in a Weekly Rate Mode, such Bond will bear interest at a rate equal to the Alternate Rate until the Market Rate is determined or redetermined, as the case may be, and (2) in the case of a Bond in a Daily Rate Mode, Flexible Rate Mode or Term Rate Mode, the Interest Rate Mode applicable to such Bond will be automatically changed to a Weekly Rate Mode and, except with respect to a change from a Daily Rate Mode that is effective on the first Business Day of a month, such Bond will be subject to mandatory tender for purchase on the effective date of such change; provided, however, that if there has been a failure to pay the Purchase Price of a Bond in a Term Rate Mode on the effective date of such change from a Term Rate Mode, such automatic change to a Weekly Rate Mode will not be effective, and all of the Bonds will continue to bear interest at the then-existing Term Rate until such Purchase Price for all of such Bonds has been paid.

Mode Changes. Although the Bonds will be delivered initially in Weekly Rate Mode, the Borrowers may cause the Bonds or some portion of the Bonds to be changed to other modes as described below. Bond Owners may request and receive information about mode changes from the Trustee. All interest rates are binding and conclusive, absent manifest error.

Change to a Daily Rate Mode, a Weekly Rate Mode or a Flexible Rate Mode. The Borrowers must specify the effective date of the mode change, which will be a Business Day at least 20 days after the Borrowers notifies the Trustee of the change, and:

- if the mode change is from a Term Rate Mode, on the day immediately following the last day of the then current Term Period or on a date on which the Bonds may be redeemed at the Borrowers' option, or
- if the mode change is from a Fixed Rate Mode, on a date on which the Bonds may be redeemed at the Borrowers' option (but if any Bond has then been called for redemption but not yet redeemed, the effective date of the mode change may not precede the redemption date for that Bond); and

the Borrowers must specify the date on which Owners of Bonds must deliver their Bonds for mandatory tender for purchase on the effective date of the mode change, after which the Owners of such Bonds will have no right to retain their Bonds.

Change to or Continuation of Term Rate Mode. The Borrowers must determine the duration of the Term Period or Periods during which the Bonds will be in a Term Rate Mode. In order to do this, the Borrowers must specify the effective date of each such Term Period, which will be a Business Day at least 20 days after the Borrowers notifies the Trustee of the change and (except for continuation of a Term Rate Period) the first Business Day of a calendar month, and:

- if a continuation of a Term Rate Period, the day immediately after the then current Term Period; or
- if a change from a Fixed Rate Mode, a date on which the Bonds may be redeemed at the Borrowers' option (but if any Bond has then been called for redemption but not yet redeemed, the effective date of the mode change may not precede the redemption date for that Bond); and

the Borrowers must specify the last day of such Term Period and the date on which Owners of Bonds must deliver their Bonds for mandatory tender for purchase on the effective date of the mode change, after which the Owners of such Bonds will have no right to retain their Bonds. When the Borrowers elects a change to a Term Rate Mode, the Borrowers may specify one or more consecutive Term Periods and their duration.

Automatic Continuation of Term Rate Mode. If, at least three Business Days prior to the ninth day before the last day of any Term Period, the Borrowers have not elected that the Bonds bear interest at a Daily Rate, Weekly Rate, Flexible Rate, an Auction Period Rate or a Term Rate for another Term Period, the Bonds will continue in a Term Rate Mode with a Term Period of the same duration as the immediately preceding Term Period.

Change to and from Auction Rate Mode. The Borrowers may cause Bonds to be changed to an Auction Rate Mode. To do so, the Borrowers must specify the effective date of the mode change, which will be a Business Day at least 20 days after the Borrowers notifies the Trustee of the change, and:

- if a change from a Term Rate Mode, the day after the then current Term Period, or on a date on which the Bonds may be redeemed at the Borrowers' option, or
- if a change from a Fixed Rate Mode, a date on which the Bonds may be redeemed at the Borrowers' option (but if any Bond has then been called for redemption but not yet re-

deemed, the effective date of the mode change may not precede the redemption date for that Bond); and

the Borrowers must specify the date on which Owners of Bonds must deliver their Bonds for mandatory tender for purchase on the effective date of the mode change, after which the Owners of such Bonds will have no right to retain their Bonds. With any change to Auction Rate Mode, the Auction Period commencing on the effective date of the change will expire on and include the initial Auction Date (or, if the initial Auction Date is not followed by a Business Day, the next succeeding day that is followed by a Business Day). The initial Auction Date (which will be the day of the week on which Auctions will generally be conducted) will be determined by the Borrowers on or prior to the effective date of the change to Auction Rate Mode. The Auction Period Rate for the initial Auction Period will be determined by the Broker-Dealer designated by the Borrowers on or prior to the effective date of the change as the lowest rate which, in the judgment of the Broker-Dealer, is necessary to enable the Bonds to be remarketed on the effective date at a price (without regard to accrued interest) equal to the principal amount thereof. After the initial Auction Period, each Auction Period will be an Auction Period determined by the Borrowers on or prior to the effective date of such change to the Auction Rate Mode, unless the length of such Auction Period is adjusted or changed to a daily, 7-day, 28-day, 35-day, three-month, six-month or a Flexible Auction Period in accordance with provisions described in **APPENDIX D – “AUCTION RATE MODE PROVISIONS”**. For any other Auction Period that is not an initial Auction Period, the Auction Period Rate will be the rate of interest determined in accordance with provisions described in **APPENDIX D – “AUCTION RATE MODE PROVISIONS”**.

Change to a Fixed Rate Mode. The Borrowers may cause the Bonds to be changed to Fixed Rate Mode. In order to do this, the Borrowers must specify the effective date of the change, which will be a Business Day at least 20 days after the Borrowers notifies the Trustee of the change and (except for continuation of a Term Rate Period) the first Business Day of a calendar month, and if a change from a Term Rate Mode, on the day after the end of the then current Term Period or a date on which the Bonds may be redeemed at the Borrowers' option (but if any Bond has then been called for redemption but not yet redeemed, the effective date of the mode change may not precede the redemption date for that Bond); and the Borrowers must specify the Maturity Date as the last day of the Fixed Period and the date on which Owners of Bonds must deliver their Bonds for mandatory tender for purchase on the effective date of the mode change, after which the Owners of such Bonds will have no right to retain their Bonds.

When Mode Changes Are Canceled. Mode changes are generally subject to preconditions and procedures detailed in the Indenture, and mode changes will not occur if those conditions are not satisfied. If an announced mode change will not occur for any reason, the Borrowers must prepare a notice to that effect for the Trustee to send to all Owners of affected Bonds, with the following consequences for such Bonds:

- during a Fixed Rate Mode, the Bonds will not be subject to mandatory tender for purchase, and the Bonds will continue at the then-current Fixed Rate;
- during a Weekly Rate Mode, the Bonds will not be subject to mandatory tender for purchase, and the Bonds will continue to bear interest at a Weekly Rate;
- during a Daily Rate Mode, the Bonds will not be subject to mandatory tender for purchase, and the Bonds will continue to bear interest at a Daily Rate;
- during a Flexible Rate Mode or Term Rate Mode, the mode will change automatically to a Weekly Rate Mode, and the Bonds will be subject to mandatory tender for purchase on the effective date of the change;

- during an Auction Rate Mode, the Auction Period commencing on the date of the failed mode change and each Auction Period thereafter for the Bonds will be a seven-day Auction Period until the length of such Auction Period is changed as described in **APPENDIX D – “AUCTION RATE MODE PROVISIONS”**, and the Bonds will bear interest at a Maximum Auction Rate for the Auction Period commencing on the date of the failed mode change and at an Auction Period Rate determined as described in **APPENDIX D – “AUCTION RATE MODE PROVISIONS”** for each Auction Period thereafter.

Nonetheless, the Bonds will automatically change from a Term Rate Mode to a Weekly Rate Mode only to the extent that the Purchase Price of all of the Bonds has been paid on the effective date of the mode change, and if the Purchase Price of all of the Bonds in a Term Rate Mode has not been paid on the effective date of the automatic mode change, the automatic mode change will not be effective, and the Bonds will continue to bear interest at the then-existing Term Rate until the Purchase Price is paid. While any Credit Facility is in effect for the Bonds, either the interest rate used to calculate the amount of the interest component of the Applicable Principal and Interest Coverage for the Bonds must be sufficient to cover all Outstanding Bonds or the Bonds will be at all times remarketed in a single Interest Rate Mode.

Payment Methods and Mode Changes. If, in the judgment of the Remarketing Agent and with the written consent of the Borrowers, the method of payment of principal, interest and Purchase Price of Bonds should be changed from immediately available funds to some other type of funds in connection with a mode change, the Remarketing Agent must designate this at least 15 days before the effective date of the change. The Trustee will then mail written notice of the change in the method of payment to the Owners of the Bonds at least ten days before the effective date of the change.

Opinion of Bond Counsel and Notice to Bond Owners. Except in cases of automatic continuation of a Term Rate Mode or canceled mode changes, a mode change or a new Term Period will not occur without an opinion of Bond Counsel to the effect that the mode change or new Term Period is proper and will not adversely affect the validity of the Bonds or the exclusion of interest on the Bonds from gross income for Federal income tax purposes. Mode change notices are to be sent to Bond Owners at least 15 but not more than 60 days before the effective date of the mode change, together with any legal opinion related to the mode change.

Partial Interest Rate Modes; Subseries Designations. If less than all Bonds are subject to a particular mode change, such Bonds will be redesignated into one or more subseries for each Interest Rate Mode with a new CUSIP® number for each subseries. The Trustee will select Bonds for redesignation in applicable Authorized Denominations.

Alternate Rate for Interest Calculation. If the Remarketing Agent fails to determine the Market Rate or the Flexible Period for any Bond on a rate determination date, or any Market Rate or Flexible Period for any such Bond determined by the Remarketing Agent on a rate determination date is determined by a court of competent jurisdiction to be invalid or unenforceable, then, effective on the first day of the Interest Period following such rate determination date or the date with respect to which such court’s determination will be effective, as the case may be, (1) in the case of a Bond in a Weekly Rate Mode, such Bond will bear interest at a rate equal to the Alternate Rate until the Market Rate is determined or redetermined, as the case may be, and (2) in the case of a Bond in a Daily Rate Mode, Flexible Rate Mode or Term Rate Mode, the Interest Rate Mode applicable to such Bond will be automatically changed to a Weekly Rate Mode and, except with respect to a change from a Daily Rate Mode that is effective on the first Business Day of a month, such Bond will be subject to mandatory tender for purchase on the effective date of such change; provided, however, that if there has been a failure to pay the Purchase Price of a Bond in a Term Rate Mode on the effective date of such change from a Term Rate Mode, such automatic change to a Weekly Rate

Mode will not be effective and all of the Bonds will continue to bear interest at the then-existing Term Rate until such Purchase Price for all of such Bonds has been paid.

Credit Facility Coverage. Notwithstanding anything else provided in the Indenture, the Borrowers may not convert the Bonds to a different mode unless (i) the Credit Facility provides sufficient coverage for the new mode and (ii) in the case of conversion of the Bonds to a Term Mode, the remaining term of the Credit Facility is at least equal to the length of the initial Term Period.

Other Terms of the Bonds. The Trustee will indicate on the Bonds the date of their authentication. Interest on the Bonds will be payable from the Interest Payment Date next preceding the date of authentication to which interest has been paid, unless such date of authentication is an Interest Payment Date, in which case from such date if interest has been paid to such date; but interest will be payable on such Bonds from their dated date if the date of authentication is prior to the first Interest Payment Date.

The principal and Redemption Price of each Bond will be payable only at the office of the Trustee designated for such purpose, upon presentation and surrender of such Bond. Interest on the Bonds will be payable to the Owner of record on the Record Date (a) by check mailed on the Interest Payment Date by the Trustee to the registered Owner at such Owner's address as it appears on the books of registry required to be kept by the Trustee pursuant to this Indenture or (b) by wire transfer of immediately available funds to the account specified by the Owner of at least \$1,000,000 in aggregate principal amount of Bonds in a written direction received by the Trustee at its office designated for such purpose on or prior to a Record Date; but upon redemption of any Bond on a date other than a Redemption Date, the accrued interest payable upon redemption will be payable at the office of the Trustee designated for such purpose, upon presentation and surrender of such Bond, unless the Redemption Date is an Interest Payment Date, in which event the interest on such Bond so redeemed will be paid by the Trustee as described above.

Interest on the Bonds at the rate determined for any particular Interest Accrual Period will accrue from and including the commencement date of such Interest Accrual Period through and including the last day thereof, subject to adjustment to a different Interest Accrual Period pursuant to the Indenture, and will be payable on each Interest Payment Date to the Owner of record on the applicable Record Date. Except for Bonds in an Auction Rate Mode, interest on overdue principal of and, to the extent lawful, on overdue premium and interest on the Bonds will be payable at the rate on such Bonds on the day immediately preceding the default in the payment thereof. Payment of defaulted interest will be made to the Owners of record on the fifth day (or if such day is not a Business Day, then the next preceding Business Day) immediately preceding the payment thereof.

Interest on Bonds payable during a Daily Rate Mode, Weekly Rate Mode or Flexible Rate Mode will be calculated on the basis of a 365-day or 366-day year, as applicable, for the actual number of days elapsed. Interest on Bonds payable during a Term Rate Mode or a Fixed Rate Mode, will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on Bonds payable during an Auction Rate Mode with an Auction Period of 180 days or less will be calculated on the basis of a 360-day year for the actual number of days elapsed, and interest on Bonds payable during an Auction Rate Mode with an Auction Period of more than 180 days will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The registration of any Bond may be transferred upon the Trustee's registration books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. The Trustee will require the payment by the person requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, and there will be no other charge to such person for any such transfer. No registration of transfers of Bonds will be required

to be made during the period established by the Trustee for selection of Bonds for redemption and after a Bond has been selected for redemption.

Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of the Bonds of the same maturity of other Authorized Denominations. The Trustee will require the payment by person requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange, and there will be no other charge to such person for any such exchange. No exchanges of Bonds will be required to be made during the period established by the Trustee for selection of Bonds for redemption and after a Bond has been selected for redemption.

REDEMPTION OF THE BONDS

Optional Redemption in Daily Rate Mode. When interest on the Bonds is payable at a Daily Rate, the Bonds may be redeemed on any Business Day at a Redemption Price equal to the principal amount thereof with interest accrued to, but excluding, the Redemption Date, in whole or in part, from drawings on the Credit Facility at the option of the Borrowers with the prior written consent of the Bank.

Optional Redemption in Weekly Rate Mode. When interest on the Bonds is payable at a Weekly Rate (as will be the case upon the initial delivery of the Bonds), the Bonds may be redeemed on any Business Day at a Redemption Price equal to the principal amount thereof with interest accrued to, but excluding, the Redemption Date, in whole or in part, from drawings on the Credit Facility at the option of the Borrowers with the prior written consent of the Bank.

Optional Redemption in Flexible Rate Mode. When interest on a Bond is payable at a Flexible Rate, the Bond may be redeemed on any Interest Payment Date at a Redemption Price equal to the principal amount thereof, at the option of the Borrowers with the prior written consent of the Bank.

Optional Redemption in Term Rate Mode or Fixed Rate Mode. When the interest on the Bonds is payable at a Term Rate during an Interest Period longer than seven years, or at a Fixed Rate, the Bonds may be redeemed on any date (each, a Redemption Date) following the “No Call Period” shown below at the Redemption Price shown below, together with interest accrued to, but excluding, the Redemption Date, in whole or in part, at the option of the Borrowers with the prior written consent of the Bank, as follows:

DURATION OF INTEREST PERIOD	NO CALL PERIOD	REDEMPTION PRICE
Longer than 13 years	10 years	100%
Longer than 10 years and up to 13 years	7 years	100%
Longer than 7 years and up to 10 years	5 years	100%
Up to 7 years	same as Duration of Interest Period	n/a

Nevertheless, any such Bonds may be subject to redemption, during any Interest Period therefor, on any alternate dates and at any alternate prices selected by the Borrowers prior to the interest rate determination date for such Interest Period and accompanied by an Opinion of Bond Counsel to the effect that such modification, in and of itself, will not adversely affect the exclusion of interest on such Bonds from gross income for Federal income tax purposes.

Optional Redemption in Auction Rate Mode. When interest on the Bonds is payable at an Auction Period Rate, the Bonds may be redeemed at the principal amount thereof together with accrued interest, if any, to the Redemption Date, on the Business Day following any Auction Period, but in the event of a partial redemption of Bonds bearing interest at an Auction Period Rate, the aggregate principal amount not so redeemed will be in an integral multiple of an Authorized Denomination.

partial redemption of Bonds bearing interest at an Auction Period Rate, the aggregate principal amount not so redeemed will be in an integral multiple of an Authorized Denomination.

Mandatory Sinking Fund Installment Redemption. Initially the Bonds are not subject to mandatory sinking fund redemption, but will be subject to optional redemption as required in the Reimbursement Agreement. Following the first date on which there is no Reimbursement Agreement which requires optional redemption in accordance with an amortization schedule set forth therein, the Bonds will be subject to mandatory sinking fund prepayment on each February 1 thereafter, in the years and principal amount set forth in a mandatory sinking fund schedule to be established by the Trustee at the direction of the Corporation.

Mandatory Redemption from Net Proceeds. The Bonds are subject to mandatory redemption in whole at any time or in part on any Interest Payment Date, for which notice of redemption may be given after written notice from the Borrowers of the receipt of Net Proceeds, at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, without premium, upon prepayment of the Loan in whole or in part, in an amount as nearly equal as possible to, but not exceeding, the amount of any Net Proceeds of insurance or condemnation awards not used to repair or replace the Facilities.

Redemption of Bank Bonds. Bank Bonds may be redeemed on any Business Day at a Redemption Price equal to the principal amount thereof with interest accrued to, but excluding, the Redemption Date, in whole or in part, at the option of the Borrowers with the prior written consent of the Bank. Bank Bonds will also be subject to mandatory redemption at the times provided in and in accordance with the terms of the Credit Facility relating to such Bonds.

Bank Bonds To Be Redeemed First; Redemption in Part. In the event of redemption of less than all the Bonds pursuant to optional or sinking fund redemption, the Trustee will first select for redemption all then Outstanding Bank Bonds so subject to redemption prior to selecting for redemption any Bonds which are not Bank Bonds. New Bonds representing the unredeemed balance of the principal amount thereof will be issued in Authorized Denominations to the Owner thereof, without charge therefor.

Notice of Redemption. Notice of redemption will be given by the Trustee to (i) the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee, with a copy to the Bank, (ii) the Information Services, and (iii) the Securities Depositories. Each notice of redemption will state the date of such notice, the redemption date, the redemption price (including any premium), the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP[®] number (if any) of the maturity or maturities (provided that the Borrowers will supply the CUSIP[®] numbers and to the extent a Bond is redeemed or not because the CUSIP[®] number designations of redeemed bond was incorrect, such event will not, under any circumstances, result in any liability to the Trustee in identifying a Bond by its CUSIP[®] number) and, if less than all the Bonds of any maturity are to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Nonetheless, redemption notices:

- with respect to Bonds in a Daily Rate Mode, a Weekly Rate Mode or an Auction Rate Mode and a daily Auction Period or seven-day Auction Period, not more than 25 days nor less than fifteen 15 days prior to the Redemption Date, and
- with respect to Bonds in a Flexible Rate Mode, a Term Rate Mode, a Fixed Rate Mode or an Auction Rate Mode with a Flexible Auction Period, 28-day Auction Period, 35-day Auction Period, three-month Auction Period or semi-annual Auction Period, not more than 45 nor less than 30 days prior to the Redemption Date.

Notice of such redemption will also be sent by the Trustee by Electronic Means to the Auction Agent (if any); by first class mail, overnight delivery service or other secure overnight means, postage prepaid, to each Rating Agency and to at least two of the Information Services, and by certified, registered or overnight mail to the Securities Depositories at least one Business Day before the mailing of notices to Bondholders.

MANDATORY AND OPTIONAL TENDER

Optional Tender for Purchase. The following notice requirements and purchase dates apply to optional tenders of the Bonds for purchase:

- *During a Daily Rate Mode.* When interest on the Bonds is payable at a Daily Rate, an Owner of Bonds may irrevocably tender such Bonds for purchase by giving telephonic notice to the Remarketing Agent for the Bonds, confirmed in writing to the Remarketing Agent and the Tender Agent, or notice in writing or by Electronic Means to the Remarketing Agent and the Tender Agent, by 11:00 a.m., New York City time, on any Business Day stating the principal amount of the Bond, the CUSIP® number and the date (which must be a Business Day) on which such Bond is to be purchased. The Tender Agent will promptly (but not later than 11:15 a.m., New York City time) inform the Trustee of such notice. In the case of a Bond to be purchased prior to an Interest Payment Date and after the Record Date in respect thereof, if the Owner is other than a Securities Depository or its nominee, the Owner must deliver a due bill, in form satisfactory to the Tender Agent, for interest due on such Purchase Date.
- *During a Weekly Rate Mode.* When interest on the Bonds is payable at a Weekly Rate (as will be the case upon the initial delivery of the Bonds), an Owner of Bonds may irrevocably tender such Bonds for purchase by giving telephonic notice to the Remarketing Agent for the Bonds, confirmed in writing to the Remarketing Agent and the Tender Agent, or notice in writing or by Electronic Means to the Remarketing Agent and the Tender Agent, by 4:00 p.m., New York City time, on any Business Day stating the principal amount of the Bond, the CUSIP® number and the date (which must be a Business Day at least seven days after the notice is given) on which such Bond is to be purchased. The Tender Agent will promptly inform the Trustee of such notice. In the case of a Bond to be purchased prior to an Interest Payment Date and after the Record Date in respect thereof, if the Owner is other than a Securities Depository or its nominee, the Owner must deliver a due bill, in form satisfactory to the Tender Agent, for interest due on such Purchase Date.

Except as otherwise required or permitted by book-entry-only system of the Securities Depository, the Purchase Price for a Bond tendered to the Tender Agent for purchase will be paid in immediately available funds by 4:00 p.m., New York City time, on the Purchase Date. All Bonds tendered for purchase must be accompanied by an instrument of transfer satisfactory to the Tender Agent, executed in blank by the registered owner with the signature guaranteed.

Mandatory Tender for Purchase. Mandatory tenders of Bonds for purchase and the related notice requirements, if any, include the following (see **APPENDIX D – “AUCTION RATE MODE PROVISIONS”** with respect to Bonds in an Auction Rate Mode):

On the First Business Day Following the End of Each Interest Period. When the Bonds are in a Flexible Rate Mode or a Term Rate Mode, the Bonds are subject to mandatory tender for purchase on the first Business Day following the end of each Interest Period. No notice is required in connection with such events.

Upon a Mode Change. Except for mode changes from a Daily Rate Mode to a Weekly Rate Mode and from a Weekly Rate Mode to a Daily Rate Mode, the Bonds are subject to mandatory tender for purchase on the effective date of the mode change at a Purchase Price equal to the principal amount thereof, plus any premium which would have been required to be paid as part of the Redemption Price on the effective date of the mode change if the Bonds were being redeemed on that date.

Upon Expiration, Termination, or Substitution of the Credit Facility. All Bonds secured or supported by the Credit Facility (including the Bonds first delivered upon original issuance) are subject to mandatory tender for purchase on the earliest of any of the following events related to Credit Facilities:

- the fifth Business Day immediately before the Expiration of the Credit Facility
- the fifth Business Day immediately prior to the Termination of the Credit Facility (except as noted below)
- the effective date of an Alternate Credit Facility
- the fifth Business Day immediately before the effective date of the assignment of the obligation of the Bank under such Credit Facility

but such Bonds will not be subject to mandatory tender for purchase if in the case of a Termination, the Credit Facility does not permit a draw or borrowing thereunder in connection with such Termination, and

Upon an Event of Default under the Reimbursement Agreement. Except in the case of a Termination of the Credit Facility, the Bonds supported by the Credit Facility are subject to mandatory tender for purchase on the fifth Business Day immediately after the Trustee receives a written direction by or on behalf of the Bank to cause the mandatory tender for purchase of such Bonds as a result of the occurrence of an event of default under the Reimbursement Agreement. The Trustee will then send a notice to all Owners of Bonds by first class mail, postage prepaid, that such mandatory tender will occur on the fifth Business Day thereafter, that Owners of the Bonds will have no right to retain their Bonds after such mandatory tender date and that upon such date all Bonds will be purchased in whole at a Purchase Price equal to the principal amount thereof, without premium, plus accrued interest, if any, to the Purchase Date. The Bonds will remain subject to mandatory tender for purchase as described above even if the Trustee receives a subsequent notice from the issuer of the Credit Facility to the effect that the event of default thereunder has been cured.

Upon Non-Reinstatement of Interest Component. The Bonds are subject to mandatory tender for purchase on the first Business Day after the Trustee receives a written notice from the issuer of the Credit Facility not later than noon New York time that such Credit Facility will not be reinstated (in respect of interest) to an amount equal to the interest component of the Applicable Principal and Interest Coverage required for the Bonds (but if the Trustee receives the notice after noon New York time, the Bonds will be subject to mandatory tender on the next succeeding Business Day). The Trustee will then send a notice to

all Owners of Bonds by first class mail, postage prepaid, that such mandatory tender will occur on the first Business Day thereafter, that the Owners of the Bonds will have no right to retain their Bonds after such mandatory tender date and that upon such date all Bonds will be purchased in whole at a Purchase Price equal to the principal amount thereof, without premium, plus accrued interest, if any, to the Purchase Date. The Bonds will remain subject to mandatory tender for purchase as described above even if the Trustee receives a subsequent notice from the issuer of the Credit Facility to the effect that such Credit Facility has been reinstated to an amount equal to the Applicable Principal and Interest Coverage.

Notices in General. The Trustee will prepare and send to the Owners of Bonds a Notice of Mandatory Tender not more than 45 nor less than 15 days before the date on which such Bonds will be subject to mandatory tender for purchase (or such lesser notice as described above). Any Notice of Mandatory Tender will be given by first class mail, postage prepaid. With respect to any Bonds to be purchased which have not been presented to the Tender Agent for purchase within 60 days after the Purchase Date, the Trustee will give a second notice of the purchase to the Owner of any such Bonds which have not been presented for purchase, by first class mail, postage prepaid, within 30 days of the end of such 60-day period.

Purchase Date and Purchase Price. All purchases will be made by the Tender Agent in funds immediately available on the Purchase Date and will be at a Purchase Price of 100% of the principal amount of the Bond being purchased plus interest accrued to, but excluding, the Purchase Date. No mandatory purchase of Bonds will constitute a payment or redemption of the Bonds or of any portion thereof, and such purchase will not extinguish or discharge the indebtedness evidenced by such Bonds, unless the Borrowers so specifies.

Tender, Purchase and Remarketing of Bonds.

Bonds To Be Remarketed. Except as described in **APPENDIX D – “AUCTION RATE MODE PROVISIONS”** with respect to Bonds in an Auction Rate Mode, Bonds purchased pursuant to an optional or a mandatory tender for purchase as described above will be offered for sale by the Remarketing Agent for the Bonds, except as follows:

- Bonds purchased pursuant to an optional or a mandatory tender for purchase after having been called for redemption under a provision in the Bonds will be canceled.
- Bonds purchased by the Tender Agent with funds drawn under the Credit Facility will be deemed to constitute Bank Bonds and to remain Outstanding.

To the extent the Remarketing Agent has remarketed Bank Bonds and has received funds representing a payment for such Bonds from the purchasers thereof, the Remarketing Agent will promptly forward such funds as immediately available funds by wire transfer (or in such other manner as is acceptable to the Remarketing Agent) to the Trustee. The Trustee will hold such funds in the Credit Facility Account for the benefit of the Bank, except that if the Credit Facility is not reinstated in accordance with its terms by an amount not less than the amount of such funds, then the Trustee will hold such funds in the Remarketing Proceeds Account of the Purchase and Reimbursement Account for the benefit of the purchasers that provided such funds. When any Bank Bonds are remarketed, the Trustee will promptly take any action that is necessary to be taken in accordance with the terms of the Credit Facility relating to such Bonds in order for such Credit Facility to be reinstated at least equal to the proceeds of remarketing those Bank Bonds. The Trustee will not release the Bonds so remarketed to the Remarketing Agent until the Trustee has received the funds as described above and the Credit Facility has been reinstated by an amount equal to such funds.

When Bonds May Not Be Remarketed. The Remarketing Agent need not offer Bonds for sale during the continuation of an Event of Default under the Indenture, or as may otherwise provided in the

Remarketing Agreement. The Remarketing Agent will not offer Bonds for sale when instructed not to do so in accordance with the terms of the Credit Facility supporting such Bonds.

Remarketing Effort. Except when Bonds may not be remarketed as described above, the Remarketing Agent for the Bonds will offer for sale and use its best efforts to sell all Bonds, including, without limitation, Bank Bonds. Any sale will be at the best obtainable price, but the Purchase Price may not be lower than the principal amount of the Bonds being sold plus accrued interest, if any, to but excluding the Purchase Date. The Borrowers may direct the Remarketing Agent from time to time to cease and to resume sales efforts with respect to some or all of the Bonds. The Remarketing Agent may buy any Bonds as principal. To the extent the Credit Facility is in effect, no Bonds supported by such Credit Facility will be remarketed to the Borrowers or the Authority, nor will any Bank Bonds be remarketed unless the Credit Facility has been or will be, immediately upon such remarketing, reinstated by the amount of the reduction that occurred when such Bonds became Bank Bonds.

Insufficient Remarketing Proceeds Leading to Credit Facility Draws. As early as practicable but not later than 11:15 a.m., New York City time, on each Purchase Date, the Remarketing Agent for the Bonds will notify the Trustee, the Tender Agent, the Borrowers and the Bank, if any, by telephone, promptly confirmed in writing or by Electronic Means, of the principal amount of Bonds for which remarketing proceeds are not on hand. Promptly thereafter, but no later than 11:30 a.m., New York City time, on such Purchase Date, the Trustee will draw on the Credit Facility, if any, for the Bonds in order to receive proceeds thereunder no later than 3:00 p.m., New York City time, on such Purchase Date in immediately available funds in an amount equal to the principal amount of the tendered Bonds, plus accrued interest thereon to the Purchase Date, for which remarketing proceeds are not on hand with the Remarketing Agent. If no such notice is received by the Trustee, the Trustee will draw on the Credit Facility for the full Purchase Price of Bonds to be tendered or deemed tendered on such date and use the proceeds of any such drawing to pay the Purchase Price of Bonds as described below. Nonetheless, the Trustee will not draw on the Credit Facility with respect to the Purchase Price of Bank Bonds or Bonds held by the borrowers.

Delivery of Remarketing Proceeds. The Remarketing Agent will deliver to the Tender Agent by no later than 12:15 p.m., New York City time, on each Purchase Date, in immediately available funds, an amount equal to all proceeds of the remarketing of Bonds received by that time as described above. Such remarketing proceeds will be used to pay the Purchase Price of Bonds as described below. The Remarketing Agent will promptly deliver to the Tender Agent any remarketing proceeds received after 12:15 p.m., New York City time, on each Purchase Date, and the Trustee will promptly upon receipt thereof transfer such remarketing proceeds to the Bank, if any, to be applied against the Borrowers' reimbursement obligation to the Bank with respect to Credit Facility drawings.

Delivery of Remarketed Bonds, Bank Bonds and Tendered Bonds. Except for Bank Bonds, the Trustee will not later than 3:00 p.m., New York City time, on the Purchase Date, make Bonds available to the Remarketing Agent or its designee for redelivery to the purchasers against payment therefor in immediately available funds. The Remarketing Agent will provide the Trustee with the registration information not later than 2:00 p.m., New York City time, on the Purchase Date, and the Trustee may rely on such directions until otherwise directed (verbally or in writing) by the Remarketing Agent. Bonds purchased from the proceeds of a drawing on or other realization upon the Credit Facility will be treated as Bank Bonds and will be registered in the name of the Bank or, if directed in writing by the Bank, its nominee or designee on the registry books on or before the close of business on the Purchase Date. The Trustee will promptly deliver such Bank Bonds to the custodian, if any, provided for in the Credit Facility or as the Bank may otherwise direct in writing, and prior to such delivery will hold such Bank Bonds in trust for the benefit of the Bank. To the extent that less than all Bonds become Bank Bonds, the Bonds will be re-designated into two subseries in order to permit the separate registration of Bank Bonds. All Bonds subject to optional or mandatory tender for purchase must be delivered to the Tender Agent by physical delivery at the Tender

Agent's designated office, by 12:00 noon, New York City time, on the Purchase Date, accompanied by an instrument of transfer thereof in a form satisfactory to the Trustee, executed in blank by the Owner thereof with the signature of such Owner guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs.

Payment of Purchase Price. The Tender Agent will pay the Purchase Price for each tendered Bond at or prior to 4:00 p.m., New York City time, on a Purchase Date only if the Owner thereof has delivered said Bond to the Trustee on such Purchase Date, properly endorsed in blank, and funds are available therefor. If an Owner of a tendered Bond has delivered said Bond to the Tender Agent after 12:00 noon, New York City time, the Tender Agent will pay the Purchase Price of such Bond at or prior to 4:00 p.m., New York City time, on the next Business Day. Payment of the Purchase Price will be made by wire transfer of immediately available funds to the account specified by the Owner in a written direction received by the Tender Agent on or prior to the Purchase Date or, if no such account is specified, by check mailed by the Tender Agent to the Owner at the address appearing on the registration books of the Trustee.

Effect of Failure To Deliver Tendered Bonds. If the Purchase Price with respect to each tendered Bond has been delivered to the Trustee, Bonds that have not been delivered to the Trustee will be deemed tendered, interest thereon will cease to accrue on the Purchase Date, and the Trustee will hold the Purchase Price thereof for the benefit of such registered Owner pending such delivery for a period of 30 days after the Purchase Date, after which any such moneys still held by the Trustee will be transferred for the benefit of such former Owner without liability for interest thereon, and the former Owner of such Bond will look solely to such amounts held by the Trustee as an unsecured creditor for payment therefor. Any moneys so held by the Trustee will be held in trust for the Owners of the Bonds entitled thereto, and will not be invested. If a Bond is subject to tender on a Purchase Date but is not delivered to the Tender Agent for purchase, a new Bond in replacement thereof will be authenticated and delivered to the new registered Owner on the applicable Purchase Date, and the undelivered Bond will cease to bear interest and will be deemed to be no longer Outstanding, and, from that date, the registered Owner thereof will be entitled only to the payment of the Purchase Price, including interest accrued to, but excluding, such Purchase Date.

Sources of Funds for Payment of Purchase Price. Funds for the payment of the Purchase Price of tendered Bonds will be derived first from immediately Available Moneys transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of such Bonds, and second from immediately Available Moneys drawn by the Trustee and delivered to the Tender Agent under the Credit Facility, if any, applicable to such Bonds. None of the Authority, the Trustee, the Tender Agent, if any, or the Remarketing Agent will have any liability or, except from the sources described above, obligation to pay or make available such Purchase Price, including under circumstances where the applicable Credit Facility terminates and does not permit a draw thereunder in connection with such Termination or where the issuer of such Credit Facility is in default under such Credit Facility.

REMARKETING AGREEMENT

The Borrowers have entered into a separate Remarketing Agreement for the Bonds, dated as of February 1, 2004 (the "Remarketing Agreement"), with Cain Brothers & Company, LLC as the Remarketing Agent (the "Remarketing Agent"). Under the Remarketing Agreement, the Remarketing Agent has agreed to use its best efforts to offer for sale all Bonds tendered in accordance with the Indenture. The Remarketing Agent will not remarket any Bonds to the Authority, the Borrowers, or any affiliate or guarantor of the Borrowers.

SECURITY FOR THE BONDS

GENERAL

The Bonds are special, limited obligations of the Authority payable exclusively out of the loan payments payable under the Loan Agreement and draws on the Credit Facility (and, in certain circumstances, funds held under the Indenture and income from the temporary investment thereof) (the “Revenues”). The Bonds are secured by a pledge by the Authority of the Revenues to the Trustee in favor of the Registered Owners of the Bonds in accordance with the Indenture.

The Bonds are being offered solely on the basis of the Credit Facility and the financial strength of the Bank, and not the operations, financial strength or condition of the Borrowers or any other security. Because the Bonds are being delivered initially in the Weekly Rate Mode, and are subject to tender for purchase as described above, the Bonds are not subject to continuing disclosure requirements, nor is any detailed information about the Borrowers presented in this Official Statement. The rating assigned to the Bonds is based primarily on the creditworthiness of the Bank. Prospective purchasers of the Bonds that wish to make a full evaluation of the financial status of the Bank are advised to obtain financial statements of the Bank.

Pursuant to the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein and the payments of amounts owing to the Bank under the Reimbursement Agreement, all of the Revenues and other amounts held in certain funds or accounts established pursuant to the Indenture (other than the Rebate Fund or Credit Facility Account, remarketing proceeds or the proceeds of draws under the Credit Facility to pay the purchase price of the Bonds or funds held with respect to the Borrowers’ indemnification of the Authority) are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture. “Revenues” is defined under the Indenture to include all payments received by the Authority or the Trustee from the Borrowers with respect to the Bonds (except Additional Payments paid by the Borrowers and any amounts paid by the Borrowers pursuant to the indemnification provisions of the Loan Agreement), including, without limiting the generality of the foregoing, proceeds of draws on the Credit Facility which are deemed to satisfy Loan Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments of all or any part of the Loan Payments and all interest, profits or other income derived from the investment of any money in any fund or account established pursuant to the Indenture (except to the extent such interest, profits or other income is required to be transferred to or retained in the Rebate Fund pursuant to the Indenture or the Tax Regulatory Agreement). See “APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Indenture - Pledge and Assignment of Revenues and Rights under the Loan Agreement; Revenue Fund” herein.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE INDENTURE. NEITHER THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”) OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE AUTHORITY, ABAG OR ANY OF ITS MEMBERS TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON AND ANY REDEMPTION, PREMIUM WITH RESPECT THERETO DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE AUTHORITY OR ABAG, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF

ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES DESCRIBED HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE AUTHORITY NOR ABAG HAVE ANY TAXING POWER.

See **APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS”** herein for a summary of certain provisions of the Indenture and the Loan Agreement.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee or the Bondholders upon an Event of Default under the Indenture or the Loan Agreement are in many respects dependent upon judicial actions that are often subject to discretion and delay, and such remedies may not be readily available or may be limited. In particular, under the United States Bankruptcy Code, a bankruptcy case may be filed with respect to the Borrowers. In general, the filing of any such petition operates as a stay against enforcement of the terms of the agreements to which the bankrupt entity is a party, and, in the bankruptcy process, executory contracts such as the Loan Agreement or the Indenture may be subject to assumption or rejection by the bankrupt party. In the event of any such rejection, the non-rejecting party or its assigns may become an unsecured claimant of the rejecting party. The various legal opinions to be delivered concurrently with the Bonds (including Bond Counsel’s approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion.

AMENDMENT OF INDENTURE AND LOAN AGREEMENT

So long as the Credit Facility of the Bonds is outstanding and the Bank is not wrongfully dishonoring any properly presented and conforming draws thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank, the Indenture and the Loan Agreement may in some circumstances be amended with Bank consent and without Bondholder consent. See **APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Indenture – Amendment of the Loan Agreement”** and **APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Indenture – Modification Without Consent of Bondholders”** herein.

THE BANK AND THE CREDIT FACILITY

Bank of America, N.A. (the “Bank”) will be the initial provider of the Credit Facility.

The information presented below represents only a summary of the topics discussed and must be read in conjunction with the financial statements and information referred to herein or contained in reports filed under the Securities Exchange Act of 1934, as amended. Except to the extent supplemented by the information incorporated herein by reference, this Official Statement does not attempt to describe the business or analyze the condition, financial or otherwise, of the Bank or otherwise describe any risks associated with the Bank or the credit facility. Each Bond Owner must rely on such Owner’s own knowledge, investigation and examination of the Bank and the Bank’s creditworthiness, including the information presented below or incorporated herein by reference.

Bank of America, N.A. (the “Bank”), is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the “Corporation”) and is engaged in general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of September 30, 2003, the Bank had consolidated assets of \$625 billion, consolidated deposits of \$423 billion and stockholder’s equity of \$49 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2002, together with any subsequent documents it filed with the Securities and Exchange Commission (the “Commission”) pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Recent Developments: On October 27, 2003, the Corporation and FleetBoston Financial Corporation (“FleetBoston”) announced they had signed an Agreement and Plan of Merger dated October 27, 2003. Under terms of the merger agreement, FleetBoston stockholders will receive .5553 shares of Bank of America Corporation common stock for each of their shares. The merger agreement has been approved by the boards of directors of the Corporation and FleetBoston and is subject to customary closing conditions, including regulatory and stockholders’ approvals. Closing is expected in the first half of 2004.

The Letter of Credit has been issued by the Bank. Moody’s Investors Service, Inc. (“Moody’s”) currently rates the Bank’s long-term certificates of deposit as “Aa1” and short-term certificates of deposit as “P-1”. Standard & Poor’s Rating Services (“Standard & Poor’s”) rates the Bank’s long-term certificates of deposit as “AA-” and its short-term certificates of deposit as “A-1+”. Fitch, Inc. (“Fitch”) rates long-term certificates of deposit of the Bank as “AA+” and short-term certificates of deposit as “F1+.” Further information with respect to such ratings may be obtained from Moody’s, Standard & Poor’s and Fitch, respectively. No assurances can be given that the current ratings of the Bank’s instruments will be maintained. On October 27, 2003 Standard & Poor’s revised its ratings outlook for the Corporation and its affiliates, including its ratings outlook for the Bank’s long- and short-term certificates of deposit, to positive from stable. On October 27, 2003 Fitch placed its ratings for the Corporation and its affiliates, including its ratings for the Bank’s long- and short-term certificates of deposit, on Ratings Watch Negative after the FleetBoston merger announcement described above. On October 30, 2003 Fitch removed its short-term ratings for the Corporation and its affiliates, including its ratings for the Bank’s short-term certificates of deposit, from Ratings Watch Negative.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the Commission pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communications

PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTER OF CREDIT IS A BINDING OBLIGATION OF THE BANK, THE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The information contained in this Official Statement relates to and has been obtained from the Bank. The information concerning the Corporation and the Bank contained herein is furnished solely to provide limited introductory information regarding the Corporation and the Bank and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced above.

THE DELIVERY HEREOF SHALL NOT CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CORPORATION OR THE BANK SINCE THE DATE HEREOF, OR THAT THE INFORMATION CONTAINED OR REFERRED TO IN THIS OFFICIAL STATEMENT IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

THE CREDIT FACILITY

On the date of issuance of the Bonds, the Bank will issue in favor of the Trustee the Credit Facility with respect to the Bonds (the "Credit Facility") in the initial amount of \$10,652,761.10 (the "Stated Amount"), of which up to \$10,535,000 may be drawn to pay the unpaid principal amount of or the portion of the purchase price corresponding to the unpaid principal amount of all of the Bonds Outstanding (other than Bonds presently held of record by the Borrowers, or by or on behalf of the Bank or its nominee) (the "Principal Portion") and up to \$117,761.10 may be drawn upon to pay accrued and unpaid interest or the portion, if any, of the purchase price corresponding to the accrued and unpaid interest on all of the Bonds Outstanding (other than Bonds presently held of record by the Borrowers, or by or on behalf of the Bank or its nominee) not in excess of 34 days' interest on the Bonds, computed at an assumed rate of 12% per annum (computed on the basis of a 365-day year) (the "Interest Portion"), as such amounts may from time to time be reduced and reinstated as provided in the Credit Facility. The Stated Amount is comprised of the Principal Portion and the Interest Portion, as they may vary from time to time. All drawings under the Credit Facility will be paid with the Bank's own funds.

The Credit Facility will terminate on the date which is the earliest of (a) February 1, 2008 (or the stated expiration date of any letter of credit issued by the Bank to replace the Letter of Credit); (b) the first Business Day on which there are no Bonds Outstanding (as defined in the Indenture); or (c) the first Business Day after the effective date of an Alternate Credit Facility (as defined in the Indenture (the "Stated Termination Date"). Commencing on the first anniversary date of the date of issuance of the Credit Facility and each year thereafter, the Stated Termination Date of the Credit Facility shall be automatically extended for an additional one year unless the Bank gives written notice to the Corporation and the Trustee at least 30 days prior to such anniversary date of its intention not to extend the Stated Termination Date beyond the current Stated Termination Date; provided, however, in no event shall the Stated Termination Date extend beyond August 1, 2034.

THE REIMBURSEMENT AGREEMENT

The Borrowers and the Bank have executed a the Reimbursement Agreement, previously defined , which among other things, sets the terms and conditions whereby the Borrowers must repay the Bank any amounts drawn by the Trustee under the Letter of Credit.

The Reimbursement Agreement and the other documents, agreements, instruments which have been executed by the Borrowers in connection therewith and are further described therein secure Borrowers' obligations to Bank and do not secure or otherwise provide collateral for the Trustee, the holders of the Bonds or the Bonds.

The Bank has issued the Letter of Credit pursuant to the terms and provisions of the Reimbursement Agreement. The Borrowers have agreed to reimburse the Bank for any payments made by the Bank to the Trustee on behalf of the holders of the Bonds under the Letter of Credit. Further, the Reimbursement Agreement requires the Borrowers to take all necessary action to cause the redemption of a portion of the Bonds each year in connection with Sinking Fund Installments. See **"THE BONDS – Redemption of the Bonds – Mandatory Sinking Fund Installment Redemption."**

The Borrowers' redemption obligations described above are solely for the benefit of the Bank and may be waived or modified by the Bank in its sole and absolute discretion and in accordance with the terms of the Reimbursement Agreement.

Pursuant to the Reimbursement Agreement, the Borrowers will, among other things, (i) keep its property in good repair, working order and condition, (ii) comply with all applicable laws, (iii) conduct its business in an orderly manner without voluntary interruption and (iv) remain qualified to do business in any state where such qualification is required.

The following is a summary of certain actions, the occurrence of any of which, among others, constitutes an Event of Default under the Reimbursement Agreement:

1. The Borrowers shall fail to pay any amount payable under the Reimbursement Agreement or under any of the Related Documents on the date when due (after giving effect to applicable grace periods); or
2. Any representation, warranty, certification or statement made by the Borrowers herein or by the Borrowers in connection with the Reimbursement Agreement, any of the Related Documents or in any writing furnished by or on behalf of the Borrowers shall prove to have been false, misleading or incomplete in any material respect on the date as of which made; or
3. The Borrowers shall fail to perform or observe the provisions of the affirmative covenants or the negative covenants contained in the Reimbursement Agreement; or
4. The Borrowers shall fail to perform or observe any other material term, covenant or agreement contained in the Reimbursement Agreement and any such failure shall remain unremedied for a period of 30 days after the date upon which written notice of such failure, requiring the same to be remedied, shall have been given to the Borrowers by the Bank; or
5. The Borrowers shall fail to pay any Indebtedness in excess of \$100,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or

instrument relating to such Indebtedness; or any other default under any agreement or instrument relating to any such Indebtedness, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of the maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid, prior to the stated maturity thereof; or

6. Liquidation or dissolution of either Borrower, or suspension of the business of either Borrower or filing by either Borrower of a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts or for any other relief under the Bankruptcy Law, as amended, or under any other insolvency act or law, state or Federal, now or hereafter existing, or any other action of either Borrower indicating its consent to, approval of, or acquiescence in any such petition or proceeding; the application by either Borrower for, or the appointment by or with the consent or acquiescence of any Borrower of, a receiver, a trustee or a custodian for either Borrower; the application by either Borrower for, or the consent to or acquiescence of either Borrower in, an assignment for the benefit of creditors; or the inability of either Borrower or the admission by either Borrower in writing of its inability to pay its debts as they mature; or

7. Filing of an involuntary petition against either Borrower in bankruptcy or seeking reorganization, arrangement, readjustment of its debts or for any other relief under the Bankruptcy Code, as amended, or under any other insolvency act or law, state or Federal, now or hereafter existing; or the involuntary appointment of a receiver, a trustee or a custodian of either Borrower or for all or a substantial part of its property; the issuance of a warrant of attachment, execution or similar process against any substantial part of the property of either Borrower and the continuance of any of such events for sixty (60) days undismissed, undischarged or unstayed; or

8. Any material provision of this Reimbursement Agreement shall at any time for any reason cease to be valid and binding on the Borrowers, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Borrowers, or a proceeding shall be commenced by any governmental agency or authority having jurisdiction over the Borrowers seeking to establish the invalidity or unenforceability thereof, or the Borrowers shall deny that they have any or further liability or obligation under this Reimbursement Agreement; or

9. Any “event of default” under and as defined in the Loan Agreement, the Indenture or any other Related Document shall have occurred and not been waived or cured; or

10. The Bonds for any reason shall be determined to be invalid or any Related Document shall for any reason cease to be in full force and effect; or

11. Any Plan Termination Event with respect to a Plan which the Bank determines in good faith might constitute grounds for the termination of any Plan or for the appointment of a trustee to administer any Plan shall have occurred, and, after the expiration of no less than 30 days after written notice thereof shall have been given to any Borrower by the Bank, (i) such Plan Termination Event (if correctable) shall not have been corrected, and (ii) the then present value of such Plan’s vested benefits exceeds the then current value of assets accumulated in such Plan.

12. Any judgments or arbitration awards are entered against any Borrower in an aggregate amount of \$200,000 or more in excess of any insurance coverage and the same is not satisfied or stayed within thirty (30) days.

13. A material adverse change occurs in any Borrower's business condition (financial or otherwise), operations, properties or ability to repay the obligations under the Reimbursement Agreement.

Upon the occurrence of an Event of Default under the Reimbursement Agreement, Bank may (a) declare all unreimbursed drawings in respect of the Letter of credit and any and all other indebtedness or obligations of every kind owing by the Borrowers to the Bank under the Reimbursement Agreement to be immediately due and payable, without presentment, demand, protest or other notice or formality of any kind; (b) enforce any and all rights and interests created and existing under the Reimbursement Agreement or under any of the other Related Documents and all rights of set-off; and (c) direct the Trustee to draw on the Letter of Credit and to either accelerate the Bonds or direct a mandatory tender of the Bonds. (See **"THE BONDS – Redemption of the Bonds – Mandatory Redemption"**.)

The Borrowers and the Bank may amend the Reimbursement Agreement at any time without the consent of the Trustee, the Authority, the holders of the Bonds or any other person and any such amendment could amend the conditions under which the Borrowers would be in default thereunder and thereby increase the ability of the Bank to give notices which could result in, among other things, an Event of Default under the Indenture. (See **APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Indenture – Events of Default"**.)

ALTERNATE CREDIT FACILITY

Pursuant to the terms of the Indenture, the Borrowers may elect to replace any Credit Facility with an Alternate Credit Facility conforming to the requirements of the Loan Agreement. The Borrowers will promptly notify the Trustee of its intention to deliver an Alternate Credit Facility. Upon receipt of such notice, the Trustee will deliver a notice of mandatory tender of the Bonds as of the effective date of the Alternate Credit Facility.

INVESTMENT CONSIDERATIONS

The following information should be considered by prospective investors in evaluating the Bonds. However, this is not an exclusive listing of risks and other considerations that may be relevant to investing in the Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks and considerations.

The various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

SECURITY FOR THE BONDS

The Bonds are special, limited obligations of the Authority payable exclusively out of the loan payments payable under the Loan Agreement and draws on the Credit Facility (and, in certain circumstances, funds held under the Indenture and income from the temporary investment thereof). The Bonds are

secured by a pledge by the Authority of the Revenues to the Trustee in favor of the Registered Owners of the Bonds in accordance with the Indenture.

The Bonds are being offered solely on the basis of the Credit Facility and the financial strength of the Bank, and not the operations, financial strength or condition of the Borrowers or any other security. The rating assigned to the Bonds is based primarily on the creditworthiness of the Bank. Prospective purchasers of the Bonds that wish to make a full evaluation of the financial status of the Bank are advised to obtain financial statements of the Bank.

EXPIRATION OF THE CREDIT FACILITY

The initial Credit Facility expires on February 1, 2008, subject to extension or earlier termination in certain circumstances as described therein. If the Credit Facility is not extended or an Alternate Credit Facility is obtained by the Borrowers, the Bonds will be subject to mandatory redemption. There can be no assurance that the Borrowers will be able to obtain an extension of the Credit Facility or an Alternate Credit Facility. The Bank is under no obligation to extend the Credit Facility beyond the scheduled expiration thereof.

BANK'S OBLIGATIONS UNSECURED

The ability of the Bank to honor draws upon the Credit Facility is based solely upon the Bank's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. No provision has been made for replacement of or substitution for the Credit Facility in the event of any deterioration in the financial condition of the Bank. None of the Authority, the Borrowers or the Bank assumes any liability to any purchaser of the Bonds as a result of any deterioration of the financial condition of the Bank. Upon any insolvency of the Bank, any claim by the Trustee against the Bank would be subject to bank receivership proceedings.

SUITABILITY OF INVESTMENT

An investment in the Bonds involves a certain degree of risk. The interest rate borne by the Bonds is intended to compensate the investor for assuming this element of risk. Prospective investors should carefully examine this Official Statement, including the Appendices hereto, and their ability to bear the economic risk of such an investment, and to determine whether or not the Bonds are an appropriate investment for them.

GENERAL FACTORS AFFECTING THE BANK

The Bank is subject to regulation and supervision by various regulatory bodies. New regulations could impose restrictions upon the Bank which would restrict its ability to respond to competitive pressures. Various legislative or regulatory changes could dramatically impact the banking industry as a whole and the Bank specifically. The banking industry is highly competitive in many of the markets in which the Bank operates. Such competition directly impacts the financial performance of the Bank. Any significant increase in such competition could adversely impact the Bank.

Prospective purchasers of the Bonds should evaluate the financial strength of the Bank based upon the information contained and referred to herein under **"THE BANK AND THE CREDIT FACILITY"** and other information available upon request from the Bank and should not rely upon any governmental supervision by any regulatory entity.

FEDERAL TAX-EXEMPT STATUS OF THE BONDS

Tax-Exempt Status of Interest on the Bonds. The Internal Revenue Code of 1986, as amended (the “Code”) imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Bond proceeds, limitations on the investment earnings of Bond proceeds prior to expenditure, a requirement that certain investment earnings on Bond proceeds be paid periodically to the United States and a requirement that the issuers file an information report with the Internal Revenue Service (the “IRS”). The Authority and the Borrowers have covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure by the Borrowers to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Bonds as taxable, retroactively to the date of issuance of the Bonds.

Tax-Exempt Status of the Borrowers. The tax-exempt status of interest on the Bonds presently depends upon the maintenance by each Borrower of its status as an organization described in Section 501 (c) (3) of the Code. The maintenance of such status is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable purposes and their avoidance of transactions which may cause their earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities which do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad of operations and transactions entered into by modern tax-exempt organizations.

Audit. In December 1999, as a part of a larger reorganization of the IRS, the IRS commenced operation of its Tax Exempt and Government Entities Division (the “TE/GE Division”), as the successor to its Employee Plans and Exempt Organizations division. The new TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations is expected to increase significantly under the new TE/GE Division. As a result of this development and other ongoing IRS audit programs, tax-exempt organizations are increasingly subject to a greater degree of scrutiny. The primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in unlawful, private benefit is the revocation of tax-exempt status. Although the IRS has not frequently revoked the tax-exempt status of nonprofit corporations or trusts, it could do so in the future. Loss of tax-exempt status by the Borrowers would most likely result in loss of tax exemption of interest on the Bonds and of future tax-exempt debt of the Borrowers, if any, and defaults in covenants regarding the Bonds and existing and future tax-exempt debt, if any, would likely be triggered. Loss of tax-exempt status of the Borrowers would also have material adverse consequences on the financial condition of the Borrowers.

The Borrowers have not sought to obtain a private letter ruling from the IRS with respect to the Bonds, and the opinion of Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP is not binding on the IRS. There is no assurance that an IRS examination of the Bonds will not adversely affect the market value of the Bonds. See “**TAX MATTERS**” herein.

UNRELATED BUSINESS INCOME

In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income (“UBTI”). The Borrowers have not historically generated any UBTI. Management of the Borrowers believe they have properly accounted for and reported UBTI; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status

of the Borrowers as well as the exclusion from gross income for federal income tax purposes of the interest on the Bonds and other future tax-exempt debt of the Borrowers, if any.

STATE INCOME TAX EXEMPTION

The State of California has not been as active as the IRS in scrutinizing the income tax exemption of organizations, though this does not preclude future State scrutiny, and it is likely that the loss by the Borrowers of federal tax exemption would also trigger a challenge to the State tax exemptions of the Borrowers. Depending on the circumstances, such an event could be adverse and material.

TAX MATTERS

In the opinion of Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Authority and the Borrowers with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the Borrowers have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. Bond Counsel has expressed no opinion with respect to the continuation of the exclusion of interest on the Bonds from gross income for federal income tax purposes following the initial Weekly Mode. Bond Counsel is further of the opinion that interest on the Bonds is exempt from present State of California income taxation.

The proposed form of opinion of Bond Counsel is attached hereto as **APPENDIX B**.

The Code and the Regulations impose various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. The Authority and the Borrowers have covenanted to comply with certain requirements designed to assure that interest on the Bonds will not become includable in gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income from the date issuance of the Bonds. The opinion of Bond Counsel assumes compliance with such covenants.

Notwithstanding Bond Counsel's opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or

taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

APPROVAL OF LEGALITY

The validity of the issuance of the Bonds is subject to the approval of Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, San Francisco, California, acting as Bond Counsel. Certain legal matters will be passed upon for the Authority by Nixon Peabody LLP, San Francisco, California, for the Borrowers by Leslie M. Lava, Esq., Sausalito, California and for the Bank by Frandzel Robins Bloom & Csato, L.C., Los Angeles, California.

ABSENCE OF MATERIAL LITIGATION

THE AUTHORITY

There is no pending or, to the best knowledge of the Authority, threatened litigation seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceeding of the Authority taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, or existence or powers of the Authority, or the authority of the Authority to enter into any document relating to the Indenture or the Bonds.

THE BORROWERS

There is no material litigation of any nature now pending (with service of process having been accomplished) against the Borrowers or, to the knowledge of its officers, threatened, which seeks to restrain or enjoin the issuance or the sale of the Bonds, which in any way contests or affects the validity of the Bonds or any proceedings of the Borrowers taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds, the use of the Bond proceeds or the existence or powers of the Borrowers relating to the issuance of the Bonds.

There is no litigation of any nature now pending (with service of process having been accomplished) against the Borrowers or, to the knowledge of its officers, threatened, which if successful would materially adversely affect the operations or financial condition of the Borrowers.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriters on behalf of the Authority relating to (a) computation of forecasted receipts of principal and interest on the acquired obligations and the forecasted payments of principal and interest to redeem the Prior Obligations and (b) computation of the yields on the Prior Obligations and the acquired obligations was examined by Grant Thornton, LLP, certified public accountants. Such computations were based solely upon assumptions and information supplied by the Underwriters on behalf of the Authority. Grant Thornton, LLP has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations

share based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

NO CONTINUING DISCLOSURE

The Bonds are exempt from the continuing disclosure requirements of Rule 15c2-12(the “Rule”) under the Securities Exchange Act of 1934, as amended, while the Bonds are in a Weekly Rate Mode or a Daily Rate Mode. Accordingly, no continuing disclosure with respect to the Bonds, the Borrowers, the Bank or the Authority will be provided to the Owners of the Bonds so long as the Bonds are in a Weekly Rate Mode or a Daily Rate Mode. The Borrowers have undertaken all responsibilities for any continuing disclosure to holders of the Bonds. The Borrowers have agreed that upon conversion of the Bonds to a Term Rate Mode, Auction Rate Mode or Fixed Rate Mode, they will comply with and carry out all of the continuing disclosure requirements of the Rule.

UNDERWRITING

The Bonds will be purchased from the Authority by Cain Brothers & Company, LLC, as the Underwriter. The Underwriter has agreed to purchase the Bonds from the Authority at a purchase price equal to the principal amount of the Bonds. The Underwriter will receive a fee of \$63,210.00.

The Bond Purchase Agreement between the Authority and the Underwriter provides that the Underwriter will purchase all of the Bonds, if any are purchased. Bonds may be offered and sold by the Underwriter to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page of this Official Statement, and such public offering prices may be changed by the Underwriter from time to time without notice.

RATINGS

Moody’s Investors Service has assigned the ratings of “Aa1 / VMIG-1” to the Bonds. The “VMIG-1” rating is short-term only, and the “Aa1” rating is long-term; each of the ratings is based on the initial Credit Facility issued for the benefit of the Bonds. See **“THE BANK AND THE CREDIT FACILITY”** herein. Each such rating reflects only the view of the agency assigning it, and any explanation of its significance should be obtained from the assigning rating agency. Generally, rating agencies base ratings on information and materials furnished and on investigation, studies, and assumptions they have made or received. There is no assurance that any ratings assigned to the Bonds will remain in effect or that such ratings might not be downgraded or withdrawn by a rating agency. Neither the Authority, the Borrowers nor the Underwriter have undertaken any responsibility either to call to the attention of the Bondholders any proposed change in or withdrawal of the ratings or to oppose any such proposed downgrade or withdrawal. As noted under **“NO CONTINUING DISCLOSURE”** herein, no one has undertaken to provide any continuing disclosure with respect to the Bonds while the Bonds are exempt from such requirements, including without limitation any report or notice of rating changes. Any downgrade or withdrawal of a rating may have an adverse effect on the market price or marketability of the Bonds.

MISCELLANEOUS

Information concerning the Borrowers contained under the captions “Introduction – The Borrowers,” and “Absence of Material Litigation -- The Borrowers” in this Official Statement has been furnished

by the Borrowers. Other than with respect to information concerning the Authority contained under the captions **“INTRODUCTION – The Authority”** and **“ABSENCE OF MATERIAL LITIGATION – The Authority”**, none of the information in this Official Statement has been supplied or verified by the Authority or the Borrowers, and the Authority or the Borrowers make no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Bonds or (iii) the tax status of the interest on the Bonds.

The summaries or description of provisions in the Indenture, the Loan Agreement, the Credit Facility and the Reimbursement Agreement contained herein and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all the pertinent provisions of such documents. For further information, reference should be made to the complete documents, copies of which will be on file at the office of the Underwriter prior to the delivery of the Bonds and thereafter at the designated corporate trust office of the Trustee for examination.

All projections, forecasts and other information in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the Borrowers and the purchasers or holders of any of the Bonds.

The attached **APPENDICES A** through **D** are integral parts of this Official Statement and must be read together with all of the foregoing statements.

Neither any advertisement of the Bonds nor this Official Statement is to be constructed as constituting any contract or agreement between the Authority and the purchasers of the Bonds.

**ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS**

By: _____ /s/
Joseph K. Chan
Chief Financial Officer

Approved and accepted:

ON LOK SENIOR HEALTH SERVICES

By: _____ /s/
Sue Wong
Chief Financial Officer

ON LOK COMMUNITY HOUSING, INC.

By: _____ /s/
Sue Wong
Chief Financial Officer

APPENDIX A SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture and the Loan Agreement. These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of such documents. Capitalized terms not defined in this Official Statement will have the meaning set forth in the Indenture.

DEFINITIONS OF CERTAIN TERMS

“Accountant” means any independent, certified public accountant or firm of such accountants selected by the Borrowers and not objected to by the Bank.

“Act” shall mean Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California.

“Additional Bonds” shall mean any Bonds issued pursuant to the Indenture and a Supplemental Indenture.

“Additional Payments” means the payments to be made by the Borrowers to the Trustee or the Authority in accordance with the Agreement.

“Administrative Fees and Expenses” means any reasonable application, commitment, financing or similar fee charged, or reimbursement for reasonable administrative or other reasonable expenses incurred, by the Authority (including without limitation the Authority’s annual fee set forth in the Agreement, which annual fee shall be collected annually in advance by the Trustee and paid to the Authority on February 1 of each year), or the Trustee, including Additional Payments.

“Agreement” or **“Loan Agreement”** means that certain Agreement, dated as of the date hereof, between the Authority and the Borrowers, as originally executed or as it may from time to time be supplemented, modified or amended subject to and in accordance with the terms of the Indenture.

“Alternate Credit Facility” means any substitute or replacement Credit Facility delivered in accordance with the Indenture, and any extensions or renewals thereof, as the same may be amended and supplemented.

“Alternate Rate” means, as of any interest rate determination date, 100% of the BMA Index or, if the BMA Index is no longer published, an index or a rate agreed upon by the Borrowers and the Remarketing Agent, but in no event in excess of the Maximum Rate.

“Applicable Principal and Interest Coverage” means the aggregate principal amount of Bonds supported by the Credit Facility, plus the minimum number of days of interest, calculated at the rate, that in the judgment (evidenced by a written rating confirmation) of each Rating Agency shall be required to maintain the applicable rating on the Bonds.

“Authority” means ABAG Finance Authority for Nonprofit Corporations as the issuer of the Bonds hereunder, and its successors and assigns as provided in the Indenture.

“Authority Documents” means the Loan Agreement, the Tax Agreement, the Bond Purchase Agreement and other documents related to the transaction to which the Authority is a party or of which it is a beneficiary.

“Authority Indemnified Parties” means the Authority and the Association of Bay Area Governments, their past, present and future officers, directors, members, counsels, employees, and agents, individually and collectively.

“Authorized Amount” means \$10,535,000 with respect to the Bonds and the principal amount authorized by the Authority with respect to any Additional Bonds.

“Authorized Denominations” means, with respect to Bonds (i) during an Auction Rate Mode, \$25,000 and any integral multiple thereof, (ii) during a Daily Rate Mode, Weekly Rate Mode or Flexible Rate Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof, and (iii) during a Term Rate Mode and the Fixed Rate Mode, \$5,000 and any integral multiple thereof; provided, however, that if as a result of a change in the Interest Rate Mode from a Term Rate Mode to an Auction Rate Mode, Daily Rate Mode, Weekly Rate Mode or Flexible Rate Mode, it is not possible to deliver all the Bonds required or permitted to be Outstanding in a denomination permitted above, Bonds may be delivered, to the extent necessary, in different denominations. Provided however, if the minimum denomination for Auction Rate Mode is less than \$100,000, the Bonds will be subject to 15c2-12 continuing disclosure when they are in the Term Mode, Auction Rate Mode or a Fixed Rate Mode.

“Authorized Representative” means, with respect to the Authority, its President, CFO or Secretary or the designee of any such officers, and with respect to each of the Borrowers, the respective Executive Director, President or Chief Financial Officer designated as an Authorized Representative of the respective Borrower by a Certificate of said Borrower signed by the Secretary and filed with the Trustee.

“Available Moneys” means:

(a) during any period the Credit Facility is in effect, any of the following moneys that, until applied, are held in a separate and segregated account under the Indenture in which only Available Moneys are held:

(1) proceeds of the Bonds received from the original issuance and sale of the Bonds;

(2) proceeds from the remarketing of any Bonds tendered for purchase pursuant to the Indenture and purchased by any Person other than the Authority or the Borrowers (or any “insider,” as defined in the United States Bankruptcy Code, of the Authority or the Borrowers);

(3) moneys drawn under the Credit Facility;

(4) moneys deposited in a separate and segregated account under the Indenture that have been continuously on deposit with the Trustee for a period of at least 367 days during which no petition in bankruptcy (or other bankruptcy or similar proceedings) is pending or has been filed by or against the Borrowers or the Authority (or any “insider”, as defined in the United States Bankruptcy Code, of the Borrowers or the Authority) under the United States Bankruptcy Code;

(5) any other moneys or securities, if there is delivered to the Trustee an Opinion of Counsel from legal counsel having expertise in bankruptcy matters (who, for purposes of such opinion, may assume that no bondowner is an “insider,” as defined in United States Bankruptcy Code) to the effect that the use of such moneys or securities to pay the principal or purchase price of, or premium, if any, or interest on the Bonds would not constitute a voidable preferential payment in the event of the occurrence of the filing of a petition in bankruptcy (or other commencement of bankruptcy or similar proceedings) by or against the Borrowers or the Authority under the United States Bankruptcy Code; and

(6) earnings derived from the investment of any of the foregoing;

(b) during any period a Credit Facility is not in effect, any moneys held by the Trustee in any fund or account under the Indenture and available, pursuant to the provisions hereof, to be used to pay principal or purchase price of, or premium, if any, or interest on, the Bonds.

“Bank” means initially Bank of America, N.A., a national banking association, and thereafter the institution providing the Alternate Credit Facility.

“Bank Bonds” means any Bond purchased with the proceeds of a drawing on the Credit Facility supporting the Bonds, which Bank Bond shall be registered in accordance with the Indenture.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

“BMA Index” means The Bond Market Association® Municipal Swap Index as released to subscribers thereof.

“Bond Counsel” means, with respect to the Bonds, Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP or other nationally recognized bond counsel selected by the Borrowers and not objected to by the Bank for the Bonds, if any, experienced in matters relating to tax exemption of interest on bonds issued by states and their political subdivisions.

“Bondholder” or **“Holder”** or **“Owner”** means, with respect to any Bond, the person in whose name such Bond is registered.

“Bonds” means the ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Refunding Revenue Bonds (On Lok Senior Health Services and On Lok Community Housing, Inc.) issued hereunder, Series 2004.

“Bond Purchase Agreement” shall mean the Bond Purchase Agreement with respect to the Bonds dated February 2, 2004, between the Authority and the Underwriter, and approved by the Borrowers.

“Book-Entry Bonds” means the Bonds registered in the name of the nominee of DTC, or any successor securities depository for the Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Borrowers” means, collectively, On Lok Senior Health Services and On Lok Community Housing, Inc., each a nonprofit, public benefit corporation organized and existing under the laws of the State, and its successors or assigns pursuant to the Agreement. **“Borrower”** means either of the Borrowers, individually.

“Borrower Documents” means the Agreement, the Tax Regulatory Agreement and the Remarketing Agreement.

“Business Day” means any day other than: (a) a Saturday or Sunday or (b) a day on which commercial banks in New York, New York, or the city of San Francisco, California (or such other cities as Tender Agent, Remarketing Agent or Trustee may designate from time to time as their respective principal trust office in a written notice to the Trustee and, if a Credit Facility is currently in effect, to the Bank, such notice to be effective 14 days after receipt by the Trustee and, if applicable, the Bank) or banking institutions in the State of California, are authorized or required by law to close.

“Certificate,” “Statement,” “Request,” “Requisition” and **“Order”** of the Authority or a Borrower mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by an Authorized Representative of the Authority or in the name of a Borrower by an Authorized Representative of the Borrower. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

“Closing Date” when used with respect to the Bonds means the date on which the Bonds are first issued and delivered.

“Code” means the Internal Revenue Code of 1986 (Title 26 of the United States Code) and any applicable regulations thereunder, as amended.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Borrowers and related to the original authorization, execution, sale and delivery of the Bonds, including but not limited to: costs of preparation and reproduction of documents; reasonable fees and expenses of the Authority; initial fees, expenses and charges of the Trustee (including fees of its counsel); legal fees and charges of bond counsel, counsel to the Authority and the counsel to the Borrowers; rating agency fees; charges relating to issuance and delivery of the Credit Facility; and any other cost, charge or fee in connection with the original issuance and delivery of the Bonds.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Indenture

“Credit Facility” means (i) initially, an irrevocable direct-pay letter of credit issued by the Bank and delivered on the date of issuance and delivery of the Bonds, or any extension or renewal thereof, and (ii) in the event of delivery of an Alternate Credit Facility, such Alternate Credit Facility, provided that the requirements of the Loan Agreement are satisfied.

“Credit Facility Account” means the subaccount by that name established within the Purchase and Reimbursement Account pursuant to the Indenture.

“Daily Period” means each Interest Period during which a Daily Rate is in effect.

“Daily Rate” means the interest rate on the Bonds established in accordance with the Indenture.

“Daily Rate Mode” means the Interest Rate Mode during which the Bonds bear interest at a Daily Rate.

“Debt Service” means, for any period of time for which such determination is made, the aggregate of the scheduled payments to be made in respect of principal (or mandatory sinking fund or installment purchase price or lease-purchase or similar payments) and interest on Outstanding Indebtedness during such period.

“Debt Service Reserve Fund” means the fund by that name established pursuant to the Indenture or such additional funds established under the Indenture or a Supplemental Indenture for Additional Bonds or Parity Obligations, if required.

“DTC Participant” means those broker-dealers, banks and other financial institutions from time to time for which the Securities Depository holds Bonds as a securities depository.

“Electronic Means” means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication.

“Escrow Deposit and Trust Agreement” means the agreement between the Borrowers and the Trustee, acting as escrow agent, dated as of February 1, 2004.

“Event of Default” means any of the events specified in the Indenture.

“Expiration” (and other forms of “expire”) means, when used with respect to a Credit Facility, the expiration of such Credit Facility in accordance with its terms.

“Facilities” means those certain health facilities located at 1333 Bush Street, San Francisco, California.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30 or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Borrowers.

“Fixed Period” means each Interest Period during which a Fixed Rate is in effect.

“Fixed Rate” means the interest rate on the Bonds established in accordance with the Indenture.

“Fixed Rate Mode” means the Interest Rate Mode during which the Bonds bear interest at a Fixed Rate.

“Flexible Period” means each Interest Period during which a Flexible Rate is in effect.

“Flexible Rate” means the interest rate on the Bonds established in accordance with the Indenture.

“Flexible Rate Mode” means the Interest Rate Mode during which the Bonds bear interest at Flexible Rates for Flexible Periods established in accordance with the Indenture.

“GAAP” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

“Income Available for Debt Service” means, unless the context provides otherwise, as to any period of time, net income, or excess of revenues over expenses, plus depreciation, amortization, interest expense, capitalized interest expense, capitalized lease payments, principal payments due, letter of credit fees, rental expense, other non-cash items (including, without limitation, any write-offs of issuance costs of an existing bond indebtedness or other expenses) and the change in discount of the contributed support receivable as reflected on Borrowers’ respective statements of cashflows, as determined in accordance with generally accepted accounting principles; provided, that no determination thereof shall take into account gifts, grants, bequests, donations or contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of principal of, redemption premium and interest on Indebtedness or the payment of operating expenses.

“Indebtedness” means for any Person calculated on a consolidated basis in accordance with GAAP: (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property; (ii) all direct or indirect guaranties of such Person in respect of, and all obligations (contingent or otherwise) of such Person to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness of any other Person; and (iii) all obligations of such Person as lessee under leases which have been or should be in accordance with GAAP recorded as capital leases. In calculating Indebtedness, no amount shall be included more than once in the aggregate of the above described amounts.

“Indenture” means the Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions hereof.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 55 Broad Street, 28th Floor, New York, New York 10004; Mergent/FIS, Inc., 525077 Centre Drive, Suite 150, Charlotte, North Carolina 028217, Attn: Called Bonds Department; and Standard & Poor’s Corporation’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; or at such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate to the Trustee in writing.

“Interest Accrual Period” means the period during which a Bond accrues interest payable on any Interest Payment Date applicable thereto. With respect to Bonds in the Daily Rate Mode or the Weekly Rate Mode, the Interest Accrual Period shall commence on (and include) the first business day of each month and shall extend through (and include) the last day prior to the first business day of the succeeding month; provided that if such month is the month in which the Bonds are authenticated and delivered, or if the Bonds are changed to the Daily Rate Mode or Weekly Rate Mode during such month, the Interest Accrual Period shall commence on the date of authentication and delivery of the Bonds or the Mode Change Date, as the case may be. With respect to Bonds in a Mode other than the Daily Rate Mode or the Weekly Rate Mode, the Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid (or, if no interest has been paid in such Mode, from the date of original authentication and delivery of such Bond, or the Mode Change Date, as the case may be) to, but not including, the Interest Payment Date on which interest is to be paid. If, at the time of authentication of any Bond, interest is in

default or overdue on the Bonds, such Bonds shall bear interest from the date to which interest has previously been paid in full or made available for payment in full on Outstanding Bonds.

“Interest Payment Date” means (i) with respect to Bonds bearing interest at a Daily Rate or a Weekly Rate, the first Business Day of each calendar month commencing March 1, 2004, (ii) with respect to Bonds bearing interest at a Flexible Rate, the first Business Day following the end of each Flexible Period, (iii) with respect to Bonds bearing interest at a Term Rate or the Fixed Rate, the first day of February or August occurring not less than three months after the first day of the Interest Period and thereafter semiannually on the first day of each February and August, (iv) with respect to Bonds bearing interest at an Auction Period Rate, on such dates as set forth in the Indenture, and (v) in each such case, each mandatory Purchase Date and the Maturity Date thereof.

“Interest Period” means the period during which the Bonds shall bear interest at a Daily Rate, Weekly Rate, Flexible Rate, Term Rate, Auction Period Rate or Fixed Rate determined as follows:

(i) each Daily Period shall commence on a Business Day and end on the day preceding the next succeeding Business Day;

(ii) each Weekly Period shall be a period of seven calendar days and shall commence on a Thursday (the “Weekly Period Commencement Day”) and end on the Wednesday of the following calendar week, provided that a change in the Interest Rate Mode to a Weekly Rate Mode shall commence on the Business Day immediately following the last day of the preceding Interest Period, shall not be longer than 7 calendar days and shall end on day before the next Weekly Period Commencement Day;

(iii) each Flexible Period shall commence on the effective date of a change in the Interest Rate Mode to a Flexible Rate Mode for such Bonds or on the day immediately succeeding the last day of the immediately preceding Flexible Period for such Bonds, and shall end on a day preceding a Business Day, and shall be from 1 to 270 days as determined by the Remarketing Agent;

(iv) each Term Period shall commence on the effective date of a change in the Interest Rate Mode to a Term Rate Mode or on the day immediately succeeding the last day of the immediately preceding Interest Period and shall end on the date specified by the Borrowers pursuant to the Indenture, which date so specified shall be succeeded by a Business Day and shall be a day that is at least 1 year after the first day of such Term Period and that is not after the Maturity Date;

(v) each Auction Period shall be determined as set forth in the Indenture; and

(vi) the Fixed Period shall commence on the effective date of a change in the Interest Rate Mode to a Fixed Rate Mode and end on the earlier of the day next preceding the effective date of a change in the Interest Rate Mode from such Fixed Rate Mode to another Interest Rate Mode and the Maturity Date of the Bonds.

“Interest Rate Mode” means, with respect to any Bond, the method by which the interest rate thereon shall be determined pursuant to the Indenture and in particular shall mean the method for determining a Daily Rate, Weekly Rate, Flexible Rate or Term Rate, Auction Period Rate or the Fixed Rate, as the case may be.

“Loan” shall mean the loan or loans made by the Authority to the Borrowers pursuant to the Loan Agreement for the purpose of providing refinancing for the Facilities as set forth in the Loan Agreement.

“Loan Default Events” means any of the events of default specified in the Agreement.

“Loan Payments” shall have the meaning set forth in the Agreement.

“Mandatory Redemption Account” means the account within the Redemption Fund established pursuant to the Indenture.

“Market Rate” means any interest rate determined in accordance with the procedures set forth in the Indenture.

“Maturity Date” means August 1, 2034.

“Maximum Annual Debt Service” means the highest Debt Service requirement for the current or any succeeding Fiscal Year.

“Maximum Rate” means, with respect to Bonds other than Bank Bonds, the lesser of (a) 12% or the highest interest rate which may be borne by such Bonds under State law, if any, and (b) while any Credit Facility is in effect with respect to such Bonds, the interest rate used to calculate the amount of the interest component of the Applicable Principal and Interest Coverage for such Bonds. Notwithstanding the foregoing, the Maximum Rate applicable to Bonds bearing interest at an Auction Period Rate shall be the Maximum Interest Rate prescribed by the Indenture.

“Net Proceeds” shall mean the amount remaining after deducting from the gross proceeds thereof all expenses (including attorneys’ fees) incurred in the collection of such proceeds or award when used with respect to any insurance proceeds or a condemnation award.

“Nominee” means the nominee of the Securities Depository, which may be the Securities Depository, or any nominees substituted by the Securities Depository pursuant to the Indenture.

“Notice of Mandatory Tender” means that notice required to be delivered by the Trustee pursuant to the Indenture.

“Notice Parties” means, with respect to Bonds, the Authority, the Borrowers, the Trustee, the Remarketing Agent, the Tender Agent, if any, the Auction Agent, the Broker-Dealer, and the Bank, if any.

“Opinion of Bond Counsel” means an Opinion of Counsel delivered by a Bond Counsel.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Authority) appointed by the Authority or the Borrowers, as appropriate. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture.

“Optional Redemption Account” means the account of that name in the Redemption Fund established pursuant to the Indenture.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability shall have been discharged in accordance with the Indenture; and (c) Bonds for the transfer or exchange of which, or in lieu of or in substitution for which, other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Parity Obligations” means obligations, the principal of and interest on which are payable by the Borrowers on a parity with the payment of the Bonds.

“Permitted Investments” means any of the following obligations as and to the extent that such obligations are at the time legal investments under the laws of the State for moneys held hereunder and then proposed to be invested therein:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Trustee of the Treasury of the United States of America, and CATS and TIGRS) or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided that such obligations are backed by the full faith and credit of the United States of America (stripped securities shall constitute Permitted Investments only if they have been stripped by the agency itself): U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, General Services Administration, U.S. Maritime Administration, U.S. Department of Housing and Urban Development, Government National Mortgage Association, and Federal Housing Administration;

(3) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities shall constitute Permitted Investments only if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), Resolution Funding Corporation or Farm Credit System;

(4) bonds or notes issued by any state or municipality which are rated by S&P and Moody's in one of the two highest rating categories assigned by such agencies;

(5) repurchase agreements with either a primary dealer on the reporting dealer list of the Federal Reserve or any bank, which, in either case, is rated in the "AA" or better by S&P and Moody's, provided that

(a) the term of such repurchase agreement is not greater than thirty days;

(b) the Trustee or third party acting solely as agent for the Trustee has possession of the collateral;

(c) the collateral is valued weekly and the market value of the collateral is maintained at an amount equal to at least 104% (or, if the collateral consists of obligations of FHLMC or FNMA, 105%) of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus interest;

(d) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately;

(e) the repurchase securities are any ones of the type described in (1), (2) and (3) above;

(f) the repurchase securities are free and clear of any third-party lien or claim;

(g) there shall have been delivered to the Trustee and the Authority an Opinion of Counsel to the effect that such repurchase agreement meets all guidelines under State law for legal investment of public funds; and

(h) the repurchase agreement shall be documented using the Bond Market Association's Master Repurchase Agreement.

(6) investment agreements, including guaranteed investment contracts ("GICs"), forward purchase agreements and reserve fund put agreements with providers rated investment grade by Moody's and S&P with no collateralization requirement or downgrade provision (such ratings may be based on a guaranty);

(7) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G"; "AAA-m"; or "AA-m" and if rated by Moody's rated "Aaa", "Aa1" or "Aa2" including funds for which the Trustee and its affiliates provide investment advisory or other management services;

(8) certificates of deposit secured at all times by collateral described in (1), (2) and/or (3) above, issued by a commercial bank, savings and loan association or mutual savings bank, which is rated "AA" or better by S&P and Moody's;

(9) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF, including those of the Trustee and its affiliates;

(10) commercial paper rated, at the time of purchase, “Prime - 1” by Moody’s and “A-1” or better by S&P;

(11) federal funds, deposit accounts, or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime - 1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P, including those of the Trustee and its affiliates;

(12) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State as it may be amended; and

(13) obligations of a bank or other financial institution rated at least “Aa3” by Moody’s or S&P.

“**Person**” means any legal entity as the context may require.

“**Principal Corporate Trust Office**” means with respect to the Trustee, the office of the Trustee at U.S. Bank National Association, One California Street, Suite 2550, San Francisco, California 94111, provided, however for transfer, registration, exchange, payment and surrender of Bonds means care of the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota or such other office designated by the Trustee from time to time.

“**Prior Obligation Fund**” means the fund by that name established pursuant to the Indenture.

“**Prior Obligation**” means the \$13,300,000 California Health Facilities Financing Authority Insured Revenue Bonds (On Lok Senior Health Services and On Lok Community Housing, Inc.) 1992 Series A.

“**Purchase and Reimbursement Account**” means the account that may be established pursuant to the Indenture.

“**Purchase Date**” shall mean the date on which any Bond is required to be purchased pursuant to the Indenture.

“**Purchase Price**” shall mean that amount equal to 100% of the principal amount of any Bond purchased pursuant to the Indenture, plus accrued and unpaid interest thereon to but not including the Purchase Date or the date on which such Bond is deemed purchased in accordance with the Indenture.

“**Rating Agency**” means Moody’s and S&P, so long as such rating agency maintains a rating on the Bonds, and any other nationally recognized securities rating agency designated in writing by the Borrowers with the written approval of the Authority and the Bank.

“**Rebate Fund**” means the fund by that name established pursuant to the Indenture.

“**Rebate Requirement**” shall have the meaning assigned to that term in the Tax Regulatory Agreement.

“**Record Date**” means (a) with respect to Bonds bearing interest at the Daily Rate, Weekly Rate or Flexible Rate, the close of business on the Business Day immediately preceding the Interest Payment Date therefor, (b) with respect to Bonds bearing interest at a Term Rate or the Fixed Rate, the fifteenth day (whether or not a Business Day) preceding the Interest Payment Date therefor, and (c) with respect to Bonds bearing interest at an Auction Period Rate, the Business Day immediately preceding the Interest Payment Date therefor.

“**Redemption Fund**” means the fund by that name established pursuant to the Indenture.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion), premium, if any, and interest, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

“Registrar” means initially the Trustee and each different Registrar as provided in the Indenture.

“Reimbursement Agreement” means the Letter of Credit and Reimbursement Agreement, dated as of February 1, 2004 by and between the Borrowers and the Bank, as amended or supplemented from time to time, or any similar agreement with respect to an Alternate Credit Facility.

“Remarketing Agent” means initially Cain Brothers & Company, LLC, and its successors and assigns.

“Remarketing Agreement” means, with respect to the Bonds, an agreement between the Borrowers and the Remarketing Agent pursuant to which the Remarketing Agent agrees to perform the duties thereof specified in the Indenture with respect to the Bonds.

“Representation Letter” means the letter executed by the Authority and delivered to the Securities Depository, representing such matters as shall be necessary to qualify the Bonds for the Securities Depository’s book-entry system.

“Remarketing Proceeds Account” means the subaccount by that name established within the Purchase and Reimbursement Account pursuant to Section 2.10 hereof.

“Reserve Requirement” means, as of any date of calculation, an amount equal to the lesser of (i) 10% of the initial par amount of the Bonds, (ii) Maximum Annual Debt Service (as calculated by the Borrowers and certified to the Trustee), (iii) 125% of the average annual debt service on the Bonds or (iv) \$609,164.88 (reduced by an amount equal to said amount multiplied by a percentage resulting from dividing the principal amount of Bonds redeemed other than pursuant to a mandatory sinking fund requirement set forth pursuant to the Indenture or the Reimbursement Agreement by the original principal amount of the Bonds).

“Responsible Officer” of the Trustee means and includes the chairman of the board of directors, the president, every vice president, every assistant vice president, the cashier, every assistant cashier, every trust officer and every officer and assistant officer of the Trustee, other than those specifically above mentioned, to whom any corporate trust matter is referred because of his or her knowledge of, and familiarity with, a particular subject and who is specifically assigned to administer the duties of the Trustee under the Indenture.

“Revenue Fund” means the fund by that name established pursuant to the Indenture

“Revenues” means all payments received by the Authority or the Trustee from the Borrowers, including proceeds of draws on the Credit Facility on behalf of the Borrowers (except Additional Payments paid by the Borrowers pursuant to the Agreement, amounts transferred from the Costs of Issuance Fund, and any amounts paid by the Borrowers pursuant to the Agreement), including, without limiting the generality of the foregoing, Loan Payments (including both timely and delinquent payments, any late charges, insurance proceeds, or condemnations awards and whether paid from any source), prepayments of all or any part of the Loan Payments and all interest, profits or other income derived from the investment of any money in any fund or account established pursuant to the Indenture (except to the extent such interest, profits or other income is required to be transferred to or retained in the Rebate Fund pursuant to the Indenture or the Tax Regulatory Agreement).

“Securities Depositories” means The Depository Trust Company (“DTC”), 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Authority may indicate in a certificate of the Authority delivered to the Trustee.

“Sinking Fund Installment” or **“Sinking Fund Installments”** shall have the meaning set forth in the Indenture

“State” means the State of California.

“Substitution Date” means:

(i) with respect to a Bond that is subject to mandatory tender for purchase pursuant to the Indenture as a result of a substitution of the then-existing Credit Facility supporting such Bond with an Alternate Credit Facility, the effective date of such Alternate Credit Facility; and

(ii) with respect to a Bond that is not subject to mandatory tender for purchase pursuant to the Indenture hereof as a result of a substitution of the then-existing Credit Facility supporting such Bond with an Alternate Credit Facility, the date that is the later of (a) the effective date of such Alternate Credit Facility, and (b) the following date(s):

(1) while such Bond is in a Daily Rate Mode or a Weekly Rate Mode, the 15th day immediately succeeding the day on which the Trustee gives notice of such substitution or replacement to the Owner of such Bond and each Rating Agency then rating such Bond; and

(2) while such Bond is in a Flexible Rate Mode or a Term Rate Mode, the applicable Purchase Date for such Bond.

“Supplemental Indenture” or **“Indenture supplemental hereto”** means any indenture hereafter duly authorized and entered into between the Authority and the Trustee in accordance with the provisions of the Indenture.

“Tax Regulatory Agreement” means the Tax Regulatory Agreement executed among the Authority, the Trustee, and the Borrowers dated the date of issuance of the Bonds, as the same may be amended or supplemented in accordance with its terms.

“Tender Agency Agreement” means, with respect to the Bonds, an agreement between the Borrowers and the Tender Agent, if any, pursuant to which the Tender Agent agrees to perform the duties thereof specified in the Indenture with respect to such Bonds.

“Tender Agent” means the Trustee, or any successor tender agent appointed pursuant to the Indenture.

“Term Period” means each Interest Period during which a Term Rate is in effect.

“Term Rate” means the interest rate on Bonds established in accordance with the Indenture.

“Term Rate Mode” means the Interest Rate Mode during which the Bonds bear interest at a Term Rate.

“Termination” (and other forms of “terminate”) means, when used with respect to any Credit Facility, the replacement, removal, surrender or other termination of such Credit Facility in accordance with its terms, other than an Expiration or an extension or renewal thereof.

“Treasury Rate” means the interest rate applicable to 13-week United States Treasury bills determined by the Remarketing Agent on the basis of the average per annum discount rate which such 13-week Treasury bills shall have been sold at the most recent Treasury auction.

“Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successor as Trustee hereunder as provided in the Indenture.

“United States Bankruptcy Code” means the United States Bankruptcy Reform Act of 1978, as amended from time to time, or any substitute or replacement legislation.

“Weekly Period” means each Interest Period during which a Weekly Rate is in effect.

“Weekly Period Commencement Day” means Thursday as set forth in the definition of Interest Period above.

“Weekly Rate” means the interest rate on Bonds established weekly in accordance with the Indenture.

“Weekly Rate Mode” means the Interest Rate Mode during which the Bonds bear interest at a Weekly Rate.

INDENTURE

The Indenture sets forth the terms of the Bonds, the nature and extent of the security, various rights of the Holders, rights, duties and immunities of the Bond Trustee and the rights and obligations of the Corporation. Certain provisions of the Indenture are summarized below. Other provisions are summarized in this Official Statement under the captions “THE BONDS” and “SECURITY FOR THE BONDS.” These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of the Indenture.

Establishment and Application of Prior Obligation Fund

The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Prior Obligation Fund.” The Trustee is hereby directed to pay from the Prior Obligation Fund the amount necessary to prepay the Prior Obligation escrow established pursuant to the Escrow Deposit and Trust Agreement to prepay the Prior Obligation. Any balance in the Prior Obligation Fund after the Prior Obligation shall have been fully paid shall be transferred by the Trustee at the written direction of the Borrowers into the Optional Redemption Account and used to pay or redeem Bonds. Upon such transfer, the Prior Obligation Fund shall be closed.

Debt Service Reserve Fund

There is hereby created and established with the Trustee a separate trust fund which shall be called the “Debt Service Reserve Fund”. So long as a Credit Facility is in effect, all amounts in the Debt Service Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making up any deficiency in the Revenue Fund only to the extent necessary to provide sufficient funds to fund the Interest Account, the Principal Account or the Redemption Fund (relating to Sinking Fund Installments) in connection with reimbursement of draws on the Credit Facility for payments of interest and principal on the Bonds, or (together with any other moneys available therefor) for the redemption of all Bonds then Outstanding.

All Permitted Investments in the Debt Service Reserve Fund shall be valued at their market value at least semi-annually on or before June 30 and December 31 (or more frequently as may be reasonably requested by the Bank) and such valuation shall be reported in writing within 30 days to the Borrowers. Any amount in the Debt Service Reserve Fund in excess of 100% of the Reserve Requirement shall then be transferred to the Revenue Fund. To the extent that amounts in the Debt Service Reserve Fund are less than 100% of the Reserve Requirement (not taking into account, for purposes of calculating the amount to be paid pursuant to this section any withdrawals permitted by the Indenture, which shall be replenished within thirty days of such withdrawals), the Borrowers shall, within 30 days after receiving written notice of such semiannual valuation, pay to the Trustee an amount sufficient to increase the balance in the Debt Service Reserve Fund to the Reserve Requirement.

Tender Agent - Appointment, Acceptance and Successors

U.S. Bank National Association, is hereby appointed the initial Tender Agent. The Borrowers shall appoint a Tender Agent on or prior to the effective date of a change in the Interest Rate Mode applicable to Bonds from an Auction Rate Mode or a Fixed Rate Mode to a Daily Rate Mode, a Weekly Rate Mode, a Flexible Rate Mode or a Term Rate Mode. The Tender Agent, if other than the Trustee shall signify its acceptance of the duties and obligations imposed on it hereunder by a written instrument of acceptance delivered to the other Notice Parties. The Tender Agent shall be a commercial bank with trust power or trust company organized under the laws of the United States of America or of any state thereof and doing business and having an office in New York, New York. So long as the Bonds are subject to optional or mandatory tender, the Tender Agent shall be the Trustee.

The Tender Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 30 days written notice to the Borrowers, the Bank, the Remarketing Agent, and the Trustee, except that such resignation shall not take effect until the appointment of a successor Tender Agent hereunder. The Tender Agent may be removed at any time by the Borrowers by a written instrument filed with the Bank, the Remarketing Agent, and the Trustee, except that such removal shall not take effect until the appointment of a successor Tender Agent hereunder. Upon the resignation or removal of the Tender Agent, the Tender Agent shall pay over, deliver and assign any moneys and Bonds held by it in such capacity to its successor.

If the position of Tender Agent shall become vacant for any reason while Bonds are in the Daily Rate, the Weekly Rate, the Flexible Rate or the Term Rate, or if any bankruptcy, insolvency or similar proceeding shall be commenced by or against the Tender Agent, the Borrowers shall appoint a successor Tender Agent to fill the vacancy. Any successor Tender Agent shall be a national banking association, bank or trust company, in each case with trust powers and duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital stock, surplus and undivided profits of at least \$100,000,000 and authorized by law to perform all of the duties imposed on it by the Indenture.

In the event of any such vacancy and if a successor Tender Agent shall not have been appointed within 60 days of such vacancy, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding in the Daily Rate, the Weekly Rate, the Flexible Rate and the Term Rate, by an instrument or concurrent instruments in writing, signed by such Owners or their attorneys-in-fact thereunto duly authorized and filed with the Borrowers, may appoint a successor Tender Agent which shall, immediately upon its acceptance of such office, and without further act, supersede the predecessor Tender Agent. If no appointment of a successor Tender Agent shall have been made pursuant to the foregoing provisions of the Indenture within 90 days of such vacancy, the Owner of any Bond then Outstanding in the Daily Rate, the Weekly Rate, the Flexible Rate and the Term Rate, the Borrowers or the Trustee may apply to any court of competent jurisdiction to appoint a successor Tender Agent. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Tender Agent.

Every successor Tender Agent shall execute, acknowledge and deliver to its predecessor, and also to the Borrowers and the Trustee, an instrument in writing accepting such appointment, and shall enter into any custodial arrangements relating to Bank Bonds in accordance with the terms of the Credit Facility relating to such Bonds, and thereupon such successor Tender Agent, without any further act, deed, or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers and trusts, and subject to all the duties and obligations, of its predecessor, with like effect as if originally named as such Tender Agent; but such predecessor shall, nevertheless, on the written request of its successor or of the Borrowers, execute and deliver an instrument transferring to such successor Tender Agent all the estate, properties, rights, immunities, powers and trusts of such predecessor; and every predecessor Tender Agent shall deliver all property and moneys held by it under the Indenture, together with a full accounting thereof, to its successor. Should any instrument in writing from the Borrowers be required by any successor Tender Agent for more fully and certainly vesting in such Tender Agent the estate, properties, rights, immunities, powers and trusts vested or intended to be vested in the predecessor Tender Agent, any such instrument in writing shall, on request, be executed, acknowledged and delivered by the Borrowers.

Any company into which the Tender Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Tender Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Tender Agent without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a national banking association, a bank or trust company duly organized under the laws of the United States of America or any State or territory of the United States and shall be authorized by law and its charter to perform all the duties imposed upon it by the Indenture. Any successor to the Tender Agent pursuant to the Indenture must also be eligible to be a successor Tender Agent under the Indenture.

Tender Agent - General Responsibilities

The Tender Agent shall perform the duties and obligations set forth in the Indenture, and in particular shall:

- (i) hold all Bonds delivered to it for purchase hereunder as agent and bailee of, and in escrow for the benefit of, the respective Owners which have so delivered such Bonds, until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Owners, provided that the Tender Agent may deliver any of such Bonds to the Remarketing Agent to be held as provided in the Indenture;
- (ii) hold all moneys delivered to it hereunder for the purchase of Bonds as agent and bailee of, and in escrow for the benefit of, the person or entity which shall have so delivered such moneys, until the Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity; and
- (iii) keep such books and records as shall be consistent with customary industry practice, and make such books and records available for inspection by the other Notice Parties.

In performing its duties and obligations hereunder, the Tender Agent shall use a reasonable degree of care and skill as used in the ordinary course of business under the same circumstances in the conduct of its own affairs. The Tender Agent shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct.

The Trustee, the Remarketing Agent and the Tender Agent shall each cooperate to cause the necessary arrangements to be made and to be thereafter continued whereby funds from the sources specified in the Indenture will be made available for the purchase of Bonds presented at the principal office of the Tender Agent designated to the Trustee, and to otherwise enable the Tender Agent to carry out its duties under the provisions of the Indenture.

The Trustee, the Remarketing Agent and the Tender Agent shall cooperate to the extent necessary to permit the timely receipt by the Trustee of tendered Bonds and the preparation, execution, issuance, authentication and delivery by the Trustee of replacement Bonds in connection with the tender and remarketing of Bonds the provisions of the Indenture.

The Tender Agent hereby waives any rights to, or liens on, any funds or obligations held by or owing to it pursuant to the Indenture. The Tender Agent shall be reimbursed and compensated for its fees and expenses for acting under and pursuant to the Indenture only from payments to be made by the Borrowers. The Tender Agent shall be entitled to the same protections, immunities and limitations from liability afforded the Trustee under the provisions of the Indenture.

Remarketing Agents - Appointment, Acceptance and Successors

A Remarketing Agent shall be appointed for Bonds in a Daily Rate Mode, a Weekly Rate Mode, a Flexible Rate Mode and a Term Rate Mode. The initial Remarketing Agents for the Bonds shall be Cain Brothers & Company, LLC.

The Borrowers shall appoint a Remarketing Agent on or prior to the effective date of a change in the Interest Rate Mode applicable to Bonds from an Auction Rate Mode or a Fixed Rate Mode to a Daily Rate Mode, a Weekly Rate Mode, a Flexible Rate Mode or a Term Rate Mode. The Remarketing Agent shall signify its acceptance of the duties and obligations imposed on it hereunder by a written instrument of acceptance delivered to the Notice Parties.

(i) the Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving such notice to the Notice Parties as may be agreed to between the Borrowers and the Remarketing Agent, except that such resignation shall not take effect until the appointment of a successor Remarketing Agent hereunder; and

(ii) the Remarketing Agent may be removed at any time by the Borrowers, by giving such notice to the Notice Parties, except that such removal shall not take effect until the appointment of a successor Remarketing Agent

hereunder. Upon the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, deliver and assign any moneys and Bonds held by it in such capacity to its successor.

If the position of Remarketing Agent shall become vacant for any reason while Bonds bear interest at the Daily Rate, the Weekly Rate, the Flexible Rate or the Term Rate, or if any bankruptcy, insolvency or similar proceeding shall be commenced by or against the Remarketing Agent, the Borrowers shall appoint a successor Remarketing Agent to fill the vacancy. A written acceptance of office shall be filed by the successor Remarketing Agent in the manner set forth in the Indenture. Any successor Remarketing Agent shall be a bank, trust company, national banking association or a member of the National Association of Securities Dealers, Inc., and authorized by law to perform all of the duties imposed on it under the Indenture.

The Borrowers shall, upon a written direction of the Bank, remove the Remarketing Agent for the Bonds if the Remarketing Agent fails to comply with its obligations under the Remarketing Agreement and the Indenture.

Remarketing Agent - General Responsibilities

The Remarketing Agent shall perform the duties and obligations set forth in the Indenture, and in particular shall:

(i) hold any Bonds delivered to it under the provisions of the Indenture by the Trustee in trust for the benefit of the Bank or the respective Owners which shall have delivered or shall be deemed to have delivered such Bonds to the Trustee, if any, as the case may be, until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Owners or the Bank or deposited with the Trustee, as the case may be, and to redeliver such Bonds to the Trustee upon its request;

(ii) use its best efforts to solicit purchases of Bonds from investors able to purchase municipal bonds, effectuate and process such purchases, bill and receive payment for Bonds purchased, and perform related functions in connection with the remarketing of Bonds under the provisions of the Indenture;

(iii) hold all moneys delivered to it under the provisions of the Indenture for the purchase of Bonds as agent and bailee of, and in escrow for the benefit of, the person or entity which shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity, provided that such moneys shall be delivered to the Trustee upon its request;

(iv) keep such books and records as shall be consistent with prudent industry practice and which will document its action taken hereunder, and make such books and records available for inspection by the Notice Parties; and

(v) comply at all times with all applicable state and federal securities laws and other statutes, rules and regulations applicable to the offering and sale of the Bonds.

In performing its duties and obligations under the provisions of the Indenture, the Remarketing Agent shall use the same degree of care and skill as a prudent person would exercise under the same circumstances in the conduct of his own affairs. The Remarketing Agent shall not be liable in connection with the performance of its duties hereunder except for its own willful misconduct, negligence or bad faith.

The Trustee and the Remarketing Agent shall each cooperate to cause the necessary arrangements to be made and thereafter continued whereby Bonds prepared, executed, authenticated and issued hereunder shall be made available to the Remarketing Agent to the extent necessary for delivery pursuant to the Indenture, and to otherwise enable the Remarketing Agent to carry out its duties under the provisions of the Indenture.

The Remarketing Agent hereby waives any right to, or lien on, any funds or obligations held by or owing to it pursuant to the Indenture. The Remarketing Agent shall be reimbursed and compensated for its fees and expenses for acting under and pursuant to the Indenture only from payments to be made by the Borrowers.

Duties of Remarketing Agent

The Remarketing Agent will, in accordance with the Remarketing Agreement, establish the interest rates on the Bonds and perform the other duties provided for it to be done by it in the Indenture.

Pledge and Assignment of Revenues and Rights under the Agreement; Revenue Fund

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Authority hereby pledges to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture and the payments of amounts owing to the Bank pursuant to the Reimbursement Agreement, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture other than the Rebate Fund or remarketing proceeds or the proceeds of draws under the Credit Facility to pay the Purchase Price of the Bonds. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery of the Bonds, without any physical delivery thereof or further act.

The Authority hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, and to the Bank, all of the Revenues and other amounts pledged in the above paragraph and all of the right, title and interest of the Authority in the Agreement (except for any deposits to the Rebate Fund, the right to receive any Administrative Fees and Expenses payable to the Authority, the right of the Authority to receive any indemnification and the right to consent to certain actions receive any notices and reports). The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee without any set-off whatsoever. The Trustee also shall be entitled to and shall (subject to the provisions of the Indenture) take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Trustee and the Bank and all of the obligations of the Borrowers under the Agreement.

The Trustee shall establish, maintain and hold in trust a separate fund designated the Revenue Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund; except that Revenues comprised of all interest, profits and other income received from the investment of accounts and funds established pursuant hereto shall be deposited as provided in the Indenture; and except that all moneys received by the Trustee and required by the Agreement to be deposited in the Redemption Fund shall be promptly deposited in such Fund. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

The Bonds shall not constitute a debt or liability, or a pledge of the faith and credit, of the State or of any political subdivision thereof, other than the Authority, which shall only be obligated to pay the Bonds solely from the Revenues and funds provided therefor in the Indenture. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

Allocation of Revenues

At such time as the Borrowers make principal and interest payments pursuant to the Loan Agreement, but no later than on or before the Business Day immediately preceding each Interest Payment Date and each day on which payments of principal are due on the Bonds (whether at maturity or because of redemption or acceleration), the Trustee shall transfer from the Revenue Fund, and deposit or transfer into the following respective accounts within the Revenue Fund which are hereby established, the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such fund or account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: To the Interest Account, the amounts received from the Borrowers as an interest payment pursuant to the Agreement. Amounts in the Interest Account shall be used solely to pay interest on the Bonds or to reimburse the Bank for draws on the Credit Facility used to pay interest on the Bonds.

Second: To the Principal Account, the amounts received from the Borrowers as a principal payment (whether at maturity or because of redemption or acceleration) pursuant to the Agreement. Amounts in the Principal Account shall be used solely to pay principal of the Bonds or to reimburse the Bank for draws on the Credit Facility used to pay principal of the Bonds.

Third: To the Debt Service Reserve Fund, the amounts required to restore the deficiency to the Reserve Requirement.

Funds in the Revenue Fund shall be transferred to the Redemption Fund to be applied to the mandatory sinking fund redemption of the Bonds at the principal amount thereof and interest accrued to the date of redemption, without premium, as set forth in the schedule submitted by the Authority at the request of the Borrowers to the Trustee pursuant to the Indenture

Any moneys which have been deposited in the Revenue Fund for application to any of the mandatory sinking fund payments shall be applied by the Trustee, if the Trustee is directed to do so in a Request of the Borrowers, to the purchase of the applicable Bonds as and when and at such prices (including brokerage and other charges but excluding accrued interest) as the Borrowers may in their discretion determine, except that the purchase price (excluding accrued interest) shall not exceed the par value of such Bonds. Any Bonds so purchased with moneys designated for a mandatory sinking fund payment shall be applied, to the extent of the full principal amount thereof, to reduce said mandatory sinking fund payment from such mandatory sinking fund payments as shall be selected by the Borrowers. All Bonds purchased pursuant to this paragraph shall be cancelled by the Trustee.

At least 20 Business Days before each Interest Payment Date, the Trustee shall determine the amount, if any, credited or to be credited to the Revenue Fund during the period from the day after the last Interest Payment Date to the next succeeding Interest Payment Date pursuant to the Indenture (investment earnings) or from any other source. The Trustee shall give notice to the Borrowers of such amount and the amount due, which notice shall be mailed, telecommunicated or delivered in such a manner that the Borrowers will receive such notice by the 10th but not sooner than the 20th Business Day before such next succeeding Interest Payment Date. Any telephonic notice shall be supplemented by notice given in accordance with the preceding sentence. Failure by the Trustee to give notice pursuant to this paragraph, or the insufficiency of any such notice, shall not affect or diminish the obligations of the Borrowers under the Agreement.

Any moneys remaining in the Revenue Fund after the foregoing transfers shall be transferred first to the Bank to reimburse the Bank for any amounts owing to the Bank, and then, to the Borrowers.

The amounts deposited into the Interest Account and Principal Account shall be withdrawn and applied to the payment of interest and principal with respect to the Bonds on each Interest Payment Date and with respect to interest on each redemption date.

Notwithstanding anything to the contrary in the Indenture but subject to the Indenture, so long as the Bonds are in the Daily Rate Mode, Weekly Rate Mode, Term Rate Mode, or the Flexible Rate Mode the principal of, interest on, and Redemption Price of, the Bonds shall be paid solely from first draws on the Credit Facility and second other Available Moneys.

The Trustee shall direct the Bank to pay the proceeds of a drawing under the Credit Facility to the Trustee. In connection with any drawing on the Credit Facility, the Trustee shall give to the Bank such prior notice as may be required under the terms of the Credit Facility.

Each withdrawal or drawing under the Credit Facility, shall be made not later than the time required by such Credit Facility in order to receive payment under the provisions of thereunder on the Business Day on which payment of the amount of such drawing or withdrawal is required to be made to the holders of the Bonds pursuant to the In-

denture. The Trustee shall comply with all provisions of such Credit Facility and will not draw upon any Credit Facility any amounts for payment of Bonds registered in the name of the Authority, the Borrowers or the Bank.

The Trustee agrees to accept any Credit Facility conforming to the requirements of the Agreement which is delivered to the Trustee in accordance therewith, in substitution for any then outstanding Credit Facility. Upon acceptance of any such Credit Facility the Trustee shall (a) give notice to the Bank of the cancellation of the superseded Credit Facility and shall surrender the superseded Credit Facility to the issuer thereof and (b) shall give notice of such substitution to the Authority and the Bondholders in same manner that notices of redemption are given as soon as practicable after receipt by the Trustee of notice from the Borrowers of such Credit Facility substitution.

The Trustee agrees to give all required notices to the Bank, in accordance with the provisions of the Credit Facility. The Trustee shall transfer, in a timely manner, to any paying agent or Tender Agent, if other than the Trustee, all amounts drawn under the current Credit Facility in order to make payments on the Bonds or to pay the Purchase Price of any Bonds tendered pursuant to the Indenture and not remarketed pursuant to the Indenture.

Amounts drawn under the Credit Facility and other Available Moneys shall not be commingled with other moneys in the Revenue Fund and the Trustee shall set up separate subaccounts in the Revenue Fund for amounts drawn on the Credit Facility, other Available Moneys, and moneys which do not constitute Available Moneys.

Application of Redemption Fund

The Trustee shall establish, maintain and hold in trust a separate fund designated as the Redemption Fund and within such Fund shall establish an Optional Redemption Account, a Mandatory Redemption Account and such separate accounts as directed by the Borrowers. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds in the manner and upon the terms and conditions specified in the Indenture or to reimburse the Bank for draws on the Credit Facility used to pay the Redemption Price of the Bonds redeemed; provided that, at any time prior to giving such notice of redemption, the Trustee may on the written instructions of the Borrowers with the prior written consent of the Bank apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the Trustee may in its discretion determine, except that the Purchase Price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds.

Investment of Moneys in Funds and Accounts

Except as otherwise provided in the Indenture, all moneys in any of the funds and accounts (other than the Rebate Fund or remarketing proceeds or the proceeds of draws under the Credit Facility to pay the Purchase Price of the Bonds) established pursuant to the Indenture shall be invested by the Trustee solely in such Permitted Investments as are specified in a Request of the Borrowers received by the Trustee at least 2 Business Days before the investment date, which Request of the Borrowers shall state that such investment is a Permitted Investment as required by the Indenture, provided, however, that, if the Borrowers do not file such a request with the Trustee, the Trustee shall invest to the extent practicable in investments described in the definition of the term "Permitted Investments".

Moneys in the Debt Service Reserve Fund may be invested in Permitted Investments having weighted average maturities not exceeding 5 years; provided, however, moneys in the Debt Service Reserve Fund may be invested in Permitted Investments with a nominal maturity date which is greater than 5 years as long as said Permitted investments by their terms allow the Trustee to obtain (at any time the Trustee is required to draw on the Debt Service Reserve Fund hereunder) the corpus thereof at no less than the purchase price thereof without loss in value. Moneys in the Prior Obligation Fund shall be invested in Permitted Investments maturing not later than the date on which the Borrowers estimate that such moneys will be expended to prepay the Prior Obligation. Moneys in the remaining funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated by the Borrowers that such moneys will be required by the Trustee.

All interest, profits and other income received from the investment of moneys within the Prior Obligation Fund shall be credited to such fund. Except as otherwise provided in written instructions of the Borrowers, all interest,

profits and other income received from the investment of moneys in any other fund or account established under the Indenture (other than the Rebate Fund or remarketing proceeds or the proceeds of draws under the Credit Facility to pay the Purchase Price of the Bonds) shall be credited to the Revenue Fund.

Subject to the Indenture and the paragraph below, investments in any and all funds and accounts established pursuant to the Indenture (other than the Rebate Fund or remarketing proceeds or the proceeds of draws under the Credit Facility to pay the Purchase Price of the Bonds) may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Indenture for transfer to or holding in a particular fund amounts received or held by the Trustee hereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the particular funds to which they are credited and otherwise as provided in the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee or its affiliates may act as sponsor, advisor or depository with regard to any Permitted Investment. The Trustee may sell at the best price obtainable, or present for redemption, any securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such securities is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment. Any Permitted Investment that is a registrable security shall be registered in the name of the Trustee.

Notwithstanding anything to the contrary in the Indenture, moneys held by the Trustee or the Tender Agent that are remarketing proceeds or draws on the Credit Facility shall be held uninvested and uncommingled with other moneys.

The Authority and the Borrowers (by their signing of the Loan Agreement) acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority and the Borrowers the right to receive brokerage confirmations of security transactions as they occur, the Authority and the Borrowers specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority and the Borrowers with periodic account statements which include detail for all investment transactions made by the Trustee under the provisions of the Indenture.

Amounts Remaining in Funds and Accounts

Any amounts remaining in the Revenue Fund or any other fund or account established hereunder after payment in full of the Bonds (or after provision for payment thereof as provided in the Indenture), the reasonable fees, charges and expenses of the Trustee and the Authority and any amounts then due and payable to the Bank, shall belong and be paid to the Borrowers by the Trustee.

Credit Facility

The Borrowers have obtained an initial Credit Facility issued by Bank of America, N.A.. At any time, the Borrowers may obtain or provide for the delivery to the Trustee of an Alternate Credit Facility with respect to the Bonds. The Borrowers shall not obtain or provide for the delivery of an Alternate Credit Facility for the Bonds to the Trustee without the prior written consent of the Bank. To the extent provided in the Indenture, all Outstanding Bonds to which a terminating Credit Facility relates will become subject to mandatory tender for purchase if such Credit Facility permits a draw thereon or borrowing thereunder prior to such Termination.

On or prior to the date on which the Credit Facility is obtained and delivered to the Trustee, except upon initial issuance of the Bonds, the Borrowers shall furnish to the Trustee and the Bank an Opinion of Bond Counsel to the effect that the delivery thereof, by itself, (1) is lawful under the Act and is authorized or permitted by the Indenture, and (2) will not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes, nor adversely affect the validity of the Bonds.

The Borrowers shall deliver to the Trustee and the Remarketing Agent a copy of each Credit Facility obtained pursuant to the Indenture on the effective date of such Credit Facility. In the event of an extension of the Expiration date, the Borrowers shall give the Trustee a written notice of the new Expiration date at least 30 days prior to the Expiration date then in effect. In the event of a substitution of the Credit Facility with an Alternate Credit Facility,

(i) the Borrowers shall give the Trustee, the Tender Agent and the Remarketing Agent a written notice of such substitution at least 30 days prior to the effective date of such Alternate Credit Facility, and

(ii) the Bonds shall be subject to mandatory tender for purchase pursuant to the Indenture.

The Trustee shall release any then-existing Credit Facility supporting Bonds only upon

(i) the Substitution Date (or, in the case of a Flexible Rate Mode, the last Substitution Date) therefor and following the honor of any draws on the then-existing Credit Facility to pay the Purchase Price of Bonds that have been tendered for purchase on or prior to such Substitution Date and that have not been remarketed on or prior to such Substitution Date,

(ii) the effective date of a change in the Interest Rate Mode to an Auction Rate Mode or a Fixed Rate Mode, or

(iii) the date on which all Bonds cease to be Outstanding (whether by defeasance of the Bonds secured thereby in accordance with the Indenture or otherwise).

Each Credit Facility for the Bonds shall provide for draws thereon or borrowings therefrom, in the aggregate, in an amount at least equal to the Applicable Principal and Interest Coverage for all of the Bonds.

If at any time there shall have been delivered to the Trustee an Alternate Credit Facility in substitution for or replacement of the then existing Credit Facility, the Trustee shall accept such Alternate Credit Facility and promptly surrender the previously held Credit Facility to the respective Bank; provided, however, that no such surrender shall be permitted unless provisions of the Indenture have been complied with. If at any time there shall cease to be Bonds Outstanding hereunder secured by the Credit Facility, the Trustee shall promptly surrender such Credit Facility to the respective Bank.

On or prior to a Substitution Date relating to a Bond, no drawing under an Alternate Credit Facility, shall be made by the Trustee with respect to such Bond if the predecessor Credit Facility shall be effective and available to make drawings thereunder on the date of such drawing. After a Substitution Date relating to a Bond, no drawing under a predecessor Credit Facility shall be made by the Trustee with respect to such Bond if such Alternate Credit Facility shall be effective and available to make drawings thereunder on the date of such drawing.

If at any time during the term of the Credit Facility any successor Trustee shall be appointed and qualified under the Indenture, the Trustee shall request that the Bank transfer (or reissue) the Credit Facility to such successor Trustee. If the Trustee fails to make such request, the successor Trustee shall do so before accepting its appointment. The Borrowers shall pay all costs associated with such a transfer.

The Trustee shall give notice to the Bondholders 15 days prior to the Expiration, Termination of the Credit Facility or the substitution of an Alternate Credit Facility.

Rights of Bank

To the extent any provision in the Indenture requires the Trustee to obtain or procure the consent, direction, approval or request of the Bank shall obtain or procure such consent, direction, approval or request in all instances, except during any time in which

(i) such Bank has failed to pay a properly presented conforming draw or notice of presentment under its respective Credit Facility, which failure is continuing,

(ii) such Credit Facility shall at any time for any reason be finally determined under applicable law, by a court of competent jurisdiction, to be null and void and not valid and binding on the respective Bank, or the validity or enforceability thereof is being contested by such Bank or by any governmental agency or authority which has taken

control of the assets of the Bank in any bankruptcy, insolvency or similar proceedings and which shall be authorized under applicable law to act on behalf of such Bank, or

(iii) the Credit Facility is no longer in effect and any and all of the Borrowers' obligations under the respective Credit Facility have been paid in full.

So long as any Credit Facility issued pursuant to the Reimbursement Agreement is in full force and effect, and there has not been a failure to pay a properly presented conforming draw under such Credit Facility, then, in all such events, subject to the paragraph below,

(i) the Bank shall be deemed to be the sole Owner of the Outstanding Bonds the payment of which such Credit Facility secures or secured when the approval, consent or action of the Owners of such Bonds is required or may be exercised under the Indenture except for purposes of the Indenture with respect to modifications and amendments only with the consent of particular Owners of such Bonds and

(ii) with respect to such modifications and amendments, the consent of the Bank shall be required in addition to the consent of the Owners of such Bonds.

In the event that the principal, sinking fund installments, if any, Purchase Price and Redemption Price, if applicable, or interest due on any Outstanding Bonds shall be paid under the provisions of the Credit Facility that secures or secured the Bonds and that is issued pursuant to the Reimbursement Agreement, all covenants, agreements and other obligations of the Borrowers to the Owners of such Bonds shall continue to exist, and the Bank shall be subrogated to the rights of such Owners.

Rebate Fund

(a) The Trustee shall establish a separate fund for the Bonds designated the "Rebate Fund." Within the Rebate Fund, the Trustee shall maintain such other accounts as it is instructed by the Borrowers as shall be necessary in order to comply with the terms and requirements of the Tax Regulatory Agreement. Absent an Opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Borrowers shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this paragraph and the Tax Regulatory Agreement. Subject to the transfer provisions provided in paragraphs (c) and (h) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury, and no other person shall have any rights in or claim to such money. All amounts on deposit in the Rebate Fund for the Bonds shall be governed by this paragraph and the Tax Regulatory Agreement for the Bonds, unless and to the extent that the Borrowers deliver to the Trustee an Opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied. The Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the Borrowers including supplying all necessary information in the manner provided in the Tax Regulatory Agreement, shall not be required to take any actions thereunder, in the absence of written directions by the Borrowers, and shall have no liability or responsibility to enforce compliance by the Borrowers with the terms of the Tax Regulatory Agreement. The Trustee shall have no responsibility to make any independent calculations or determinations or to review the Borrowers' calculations hereunder.

(b) Prior to completion of the Facilities, within 30 days of the end of each Bond Year (as such term is defined in the Tax Regulatory Agreement), and within 55 days after the date on which no Bonds are outstanding, the Borrowers shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations, for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The Borrowers shall not be required to calculate the amount of Rebatable Arbitrage, and the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this paragraph (b), with respect to all or a portion of the proceeds of the Bonds (including amounts treated as proceeds of the Bonds) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the Borrowers under Section

148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, the Borrowers shall provide written direction to the Trustee that the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this paragraph (b). The Borrowers shall obtain expert advice as to the amount of the Rebateable Arbitrage to comply with this paragraph. The Trustee and the Authority may rely conclusively upon such expert’s determinations, calculations and certifications required by the Indenture. The Trustee and the Authority shall have no responsibility to independently make any calculation or determination or to review such expert’s calculations hereunder.

(c) Within 55 days of the end of each fifth Bond Year, upon the written request of the Borrowers an amount shall be deposited to the Rebate Fund by the Trustee from deposits by the Borrowers held in the Revenue Fund, or from available investment earnings on amounts, if and to the extent required, so that the balance in the Rebate Fund shall equal the amount of Rebateable Arbitrage so calculated in accordance with paragraph (b). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written request of the Borrowers, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Revenue Fund.

(d) The Trustee shall pay, as directed by request of the Borrowers (or, in the case of a failure by the Borrowers, the Authority), to the United States Treasury, out of amounts in the Rebate Fund, subject to the exceptions contained in paragraph (b),

(i) not later than 60 days after the end of (x) the fifth Bond Year, and (y) each applicable fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the Rebateable Arbitrage (calculated as of the end of such Bond Year) and all previous rebate payments; and

(ii) not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebateable Arbitrage calculated as of the date of such payment and any income attributable to the Rebateable Arbitrage determined to be due and payable, computed in accordance with Section 1.148-3 of the Treasury Regulations.

(e) In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Borrowers (or, in the case of a failure by the Borrowers, the Authority) shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due.

(f) In the event that immediately following the calculation required by paragraph (b) above, but prior to any deposit made under said paragraph, the amount on deposit in the Rebate Fund exceeds the amount of Rebateable Arbitrage calculated in accordance with said subsection, upon written instructions from the Borrowers, the Trustee shall withdraw the excess from the Rebate Fund and credit such excess to the Interest Account.

(g) Any funds remaining in the Rebate Fund after redemption and payment in full of the Bonds and the payments described in paragraph (d) above being made may be withdrawn by the Trustee and remitted to the Borrowers and utilized in any manner by the Borrowers.

(h) Each payment required to be made pursuant to paragraph (d) shall be made to the Internal Revenue Service Center, Ogden, Utah, on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by the Borrowers for execution by the Authority, or shall be made in such other manner as provided under the Code.

(i) Notwithstanding anything in the Indenture to the contrary, the obligation the obligation to remit the Rebateable Arbitrage to the United States and to comply with the requirements of the Indenture and the Tax Regulatory Agreement shall survive the defeasance or payment in full of the Bonds.

(j) The Borrowers shall retain records of all determinations made hereunder until 6 years after the complete retirement of the Bonds.

Accounting Records and Financial Statements

The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with the Trustee's accounting practices for books of record and account relating to similar trust accounts and in accordance with the customary standards of the industry for such books of record and account, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Agreement and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority, the Borrowers, the Bank and any Bondholder, or his agent or representative duly authorized in writing, at reasonable hours, upon reasonable notice and under reasonable circumstances.

The Trustee shall furnish monthly, to the Bank and to the Borrowers, and to the Authority upon its request, a complete financial statement (which may be in the form of its regular statements) covering receipts, disbursements, allocation and application of Revenues and the proceeds of the Bonds made by the Trustee; provided that the Trustee shall not be obligated to provide an accounting for any fund or account that (i) has a balance of \$0.00 and (ii) has not had any activity since the last reporting date.

Continuing Disclosure

Pursuant to the Agreement, the Borrowers have undertaken all responsibility for compliance with any continuing disclosure requirements, and the Authority shall have no liability to the Bondholders or any other person with respect to such disclosure matters. Notwithstanding any other provision of the Indenture, failure of the Borrowers to comply with any continuing disclosure agreement shall not be considered an Event of Default; however, any Bondholder or Beneficial Owner may take, and the Trustee shall, at the request of the Holders of at least 25% aggregate principal amount of Outstanding Bonds, and upon receipt of satisfactory indemnification, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrowers to comply with its obligations under any continuing disclosure agreement.

Events of Default; Acceleration; Waiver of Default

If one or more of the following Events of Default shall happen:

(a) if default shall be made in the due and punctual payment of the principal of, or premium (if any) on, any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if default shall be made in the due and punctual payment of the Purchase Price of any Bond subject to tender pursuant to the Indenture;

(d) if default shall be made by the Authority in the performance or observance of any other of the material covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Borrowers by the Trustee, or to the Authority, the Borrowers and the Trustee by the Bank or the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding;

(e) if a Loan Default Event has occurred and is continuing; or

(f) if the Bank gives notice that an event of default shall have occurred and be continuing under the Reimbursement Agreement and instructing the Trustee to accelerate the Bonds,

then and in each and every such case during the continuance of such Event of Default, unless the principal of all the Bonds shall have already become due and payable, the Trustee, by notice in writing to the Authority and the Borrowers, may and, upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, or at the direction of the Bank (provided that the notice given pursuant to item (f), above, shall constitute such direction), shall declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. Upon any such declaration the Trustee shall immediately draw upon any then existing Credit Facility in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds so declared to be due and payable.

Notwithstanding any other provision of the Indenture, the Trustee may not declare an Event of Default, accelerate the Bonds or exercise any remedy under the Indenture without the written consent of the Bank (so long as the Credit Facility is in effect and the Bank has not dishonored any properly presented and conforming draw thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank).

Notwithstanding any other provision of the Indenture, the Bank, by a written instrument delivered to the Trustee, may waive any Event of Default hereunder (so long as the Credit Facility is in effect and the Bank has not dishonored any properly presented and confirming draw thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank).

Institution of Legal Proceedings by Trustee

If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon being indemnified to its satisfaction by the Bank or the Holders, upon the written request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding and with the consent of the Bank or at the direction of the Bank shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds or the Bank under the Act or under the Agreement or the Indenture by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the provisions of the Indenture.

Notwithstanding any other provision of the Indenture, the Trustee may not declare an Event of Default or exercise any remedy under the Indenture without the written consent of the Bank (so long as the Credit Facility is in effect and the Bank has not dishonored any properly presented and conforming draw thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank).

Application of Moneys Collected by Trustee

Any moneys collected by the Trustee pursuant to the Indenture and any amounts then on deposit in the funds and accounts held thereunder (other than the Rebate Fund, remarketing proceeds or the proceeds of draws under the Credit Facility to pay the Purchase Price of the Bonds) shall be applied in the following order, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account of principal (or premium, if any), upon presentation of the Bonds, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid provided, however, that neither the moneys derived from drawings under the Credit Facility, moneys set aside to pay principal and interest on any particular Bonds, nor the proceeds from remarketing of the Bonds shall be used to pay anything other than principal and interest on, Redemption Price or the Purchase Price of, the Bonds:

(a) First to the payment of costs and expenses of collection and reasonable compensation to the Trustee for its own services and for the services of counsel, agents and employees by it properly engaged and employed, and all other expenses and liabilities incurred, and for advances made pursuant to the provisions of the Indenture.

(b) Second to the payment of interest in default on Bonds (including Bank Bonds except under the circumstances provided in the paragraph below) in the order of maturity thereof, and then to the payment of the principal of all Bonds (including Bank Bonds except under the circumstances provided in the paragraph below) then due and unpaid; in every instance such payment to be made ratably to the persons entitled thereto without discrimination or preference.

(c) Third, if the Credit Facility is outstanding and the Bank is wrongfully dishonoring any properly presented and conforming drawings thereunder or if the Credit Facility is no longer outstanding and the Bank did not fulfill all of its obligations thereunder, to the payment of interest in default on Bank Bonds in the order of maturity thereof, and then to the payment of the principal of all Bank Bonds then due and unpaid; in every instance such payment to be made ratably to the persons entitled thereto without discrimination or preference.

(d) Fourth to the payment of amounts owing to the Bank under the Reimbursement Agreement.

(e) Fifth to the payment of other amounts owing under the Agreement.

Whenever moneys are to be applied pursuant to the provision of the Indenture, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and past-due interest to be paid on such date shall cease to accrue.

Whenever all principal of and interest on all Bonds have been paid under the provisions of this paragraph and all reasonable fees, expenses and charges of the Trustee (including without limitation those of its attorneys) have been paid, and all amounts owing to the Bank have been paid, any balance remaining in the funds and accounts hereunder shall be paid to the Borrowers.

Effect of Delay or Omission to Pursue Remedy

No delay or omission of the Trustee, the Bank or of any Holder of Bonds to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by the Indenture to the Trustee, the Bank or to the Holders of Bonds may be exercised from time to time, and as often as shall be deemed expedient. In case the Trustee shall have proceeded to enforce any right under the Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Bank and the Trustee, and the Holders of the Bonds, severally and respectively, shall be restored to their former positions and rights hereunder in respect to the trust estate; and all remedies, rights and powers of the Authority, the Bank, the Trustee and the Holders of the Bonds shall continue as though no such proceedings had been taken.

Remedies Cumulative

No remedy conferred upon or reserved to the Trustee, the Bank or to any Holder of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

Power of Trustee to Control Proceedings

Subject to the right of the Bank to control remedial proceedings hereunder, in the event that the Trustee, upon the happening of an Event of Default, shall have taken some action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer con-

tinues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Notwithstanding the foregoing, the Bank shall have full control of proceedings provided for in the Indenture (so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank).

Limitation on Bondholders' Right to Sue

Subject to the right of the Bank to control remedial proceedings hereunder, notwithstanding any other provision hereof, no Holder of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture unless

(a) such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the provisions of the Indenture;

(b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name;

(c) said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Holders of the Outstanding Bonds.

The right of any Holder of any Bond to receive payment of the principal of and premium, if any, and interest on such Bond out of Revenues and the funds pledged in the Indenture, as therein provided, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder, notwithstanding the foregoing provisions of the Indenture or any other provision of the Indenture.

Duties, Immunities and Liabilities of Trustee

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture, it being understood that no implied duties are to arise hereunder. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) The Authority may, in its own discretion or upon Request of the Borrowers, in each case with the consent of the Bank, remove the Trustee at any time other than during the occurrence and continuation of an Event of Default, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with paragraph (e) below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of

the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint, with the consent of the Borrowers and the Bank, a successor Trustee by an instrument in writing. In the event of a removal, the Trustee shall receive indemnification satisfactory to it with respect to actions taken by it during the time it acted in the capacity of Trustee hereunder and complete payment of all outstanding fees and costs.

(c) The Trustee may at any time resign by giving 45 days written notice of such resignation to the Borrowers, Authority and the Bank and by giving the Bondholders notice of such resignation by mail at the addresses shown on the Bond registration books maintained by the Trustee. Upon receiving such notice of resignation, the Borrowers shall promptly appoint, with the consent of the Bank, a successor Trustee by an instrument in writing.

(d) In addition to any other requirements hereunder, any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 30 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, the Bank or any Bondholder (on behalf of himself/herself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority, the Bank and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, the Authority shall mail a notice of the succession of such Trustee to the trusts hereunder to the Bank and the Borrowers and to the Bondholders at the addresses shown on the Bond registration books maintained by the Trustee. If the Authority fails to mail such notice within 30 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Borrowers.

(e) Any Trustee appointed under the provisions of the Indenture shall be a corporation, trust company or commercial bank having trust powers and having (or, in the case of a trust company, bank or corporation included in a bank holding company system, with a bank holding company having) a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authority. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph, the Trustee shall resign in the manner and with the effect specified in the Indenture.

Merger or Consolidation

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Indenture, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Modification without Consent of Bondholders

Subject to the conditions and restrictions in the Indenture contained, the Authority and the Trustee, from time to time and at any time, may enter into an indenture or indentures supplemental hereto, which indenture or indentures

thereafter shall form a part hereof, including, without limitation, for one or more of the following purposes; provided that the Bank (so long as the Credit Facility is outstanding and the Bank is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Bank) and the Borrowers shall have consented to such amendment, and the Trustee and the Borrowers shall have received an Opinion of Bond Counsel to the effect that such amendment or modification will not cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes and a written representation from the Authority or an Opinion of Bond Counsel to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (which written representation may be based on representations of other parties in accordance with the provisions of the Indenture); provided that, if an Event of Default has occurred and is continuing, the Trustee rather than the Authority shall make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (provided that, in making such determination, the Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel):

(a) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power reserved to or conferred upon the Authority;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision, contained in the Indenture, or in regard to such matters or questions arising under the Indenture as the Authority may deem necessary or desirable and not inconsistent with the Indenture;

(c) to modify, amend or supplement the Indenture or any Indenture supplemental hereto in such manner as to permit the qualification hereof or thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any Indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(d) in connection with an amendment of the Agreement permitted by the Indenture for the purpose of conforming the terms, conditions and covenants of the Indenture to the corresponding or related provisions of such amended Agreement;

(e) in connection with delivery of an Alternate Credit Facility for the purpose of conforming the terms, conditions and covenants of the Indenture so as to provide Bondholders the full benefit of the provisions of such Alternate Credit Facility;

(f) for any other purpose that will not materially and adversely affect the interests of the Holders of the Bonds; or

(g) if in connection with the Mandatory Tender and prior disclosure of such amendment.

Any supplemental indenture authorized by the provisions of the Indenture may be executed by the Authority and the Trustee without the consent of the Holders of any of the Bonds, notwithstanding any of the provisions of the Indenture, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

The Trustee shall mail an executed copy of any supplemental indenture authorized by the Indenture to the Bank and each Rating Agency promptly after execution by the Authority and the Trustee.

Modifications or Amendments to the Indenture - Unanimous Consent of Bondholders

(a) Notwithstanding any other provisions of the Indenture, the provisions of the Indenture may be modified or amended, with respect to Bonds, with the consent of the Bank, pursuant to the Indenture by obtaining, when required by the Indenture, the consent of the Owners all Outstanding Bonds as follows:

(i) during a Weekly Rate Mode or Daily Rate Mode, if on the 30th day (or, if such day is not a Business Day, on the next succeeding Business Day) after the date on which the Borrowers mailed notice of such proposed modification or amendment to Owners of the Outstanding Bonds there is delivered to the Trustee and the Borrowers

(A) a certificate of the Tender Agent to the effect that all Bonds that have been tendered for purchase by their Owners pursuant to the Indenture after the date on which the Trustee mailed such notice of the proposed modification or amendment have been purchased at a price equal to the Purchase Price thereof,

(B) a written consent of the Remarketing Agent to the proposed modification or amendment and

(C) an opinion of Bond Counsel to the effect that the proposed modification or amendment is lawful under the Act, will not adversely affect the validity of the Bonds and will not adversely affect the exclusion of interest on such Bonds from gross income for Federal income tax purposes, the proposed modification or amendment shall be deemed to have been consented to by the Owners of the Bonds;

(ii) during any Interest Rate Mode, if on any date on which the Bonds are subject to mandatory tender for purchase pursuant to the Indenture there is delivered to the Trustee and the Borrowers

(A) a certificate of the Tender Agent to the effect that all Bonds have been purchased at a price equal to the Purchase Price thereof,

(B) a written consent of the Remarketing Agent to the proposed modification or amendment, and

(C) an opinion of Bond Counsel to the effect that the proposed modification or amendment is lawful under the Act, will not adversely affect the validity of the Bonds and will not adversely affect the exclusion of interest on such Bonds from gross income for Federal income tax purposes, the proposed modification or amendment shall be deemed to have been consented to by the Owners of the Bonds; and

(iii) during an Auction Rate Mode, in accordance with the provisions of the Indenture.

Effect of Supplemental Indenture

Upon the execution of any supplemental indenture pursuant to the provisions of the Indenture, the Indenture shall be and shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Bank, the Trustee and all Holders of Outstanding Bonds shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be part of the terms and conditions of the Indenture for any and all purposes.

Discharge of Indenture

Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

(a) by paying or causing to be paid the principal of and premium, if any, and interest on the Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem Bonds Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, all Bonds Outstanding.

If the Authority shall pay all Bonds then Outstanding as provided above and shall also pay or cause to be paid all other sums payable hereunder by the Authority, and any balance remaining in the funds and accounts established hereunder shall have been paid to the Bank to the extent any amounts are owing to the Bank, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), which election shall be made on the Request of the Borrowers, and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Indenture. In such event, upon Request of the Authority (which request shall be made upon the Request of the Borrowers), the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and the Borrowers and shall execute and deliver to the Authority and the Borrowers all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Borrowers all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption and which are not required for the payment of reasonable fees and expenses of the Trustee.

Discharge of Liability on Bonds

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond, whether upon or prior to its maturity or the redemption date of such Bond, (provided that, if such Bond is to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice), then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the Holder thereof shall be entitled to payment of the principal of, and premium, if any, and interest on such Bond by the Authority, and the Authority shall remain liable for such payment but only out of the money or securities deposited with the Trustee as aforesaid for its payment, provided further, however, that the provisions of the Indenture shall apply in all events.

The Authority or the Borrowers may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority or the Borrowers may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

LOAN AGREEMENT

Application of Proceeds of Bonds; Security Interest

The proceeds of the sale of the Bonds shall be deposited as set forth in the Indenture. To secure its obligations hereunder with respect to the Loan and the Bonds, including the obligation to pay all Loan Payments as and when they are due and to secure its obligations under the Reimbursement Agreement, the Borrowers hereby grant to the Authority items (a) and (b) below (the "Collateral"):

(a) a Uniform Commercial Code security interest in the moneys and investments at any time held in the Costs of Issuance Fund, the Debt Service Reserve Fund and any other funds and accounts established with the Trustee under the Indenture except the Rebate Fund; and

(b) any proceeds thereof and investments earnings therein, to the Authority, such security interest to be perfected by possession of such moneys by the Trustee (as assignee of the Authority's rights and interests under the Agreement).

The Trustee, as assignee of the Authority's rights and interests under the Agreement, shall hold the Collateral for the benefit of the Owners of the Bonds and the Bank.

Payment of Bonds

The Borrowers agree that they will, jointly and severally, pay to the Trustee, for the account of the Authority, all sums necessary for the payment of the debt service on the Bonds (the "Loan Payments") as follows:

(1) By 9:00 a.m., Pacific time, on or prior to the Business Day immediately preceding each Interest Payment Date the amount of interest then due and payable, on or prior to the first Business Day of each month 1/12 of the principal due and payable on the next succeeding Sinking Fund Installment, and every date on which principal of the Bonds is due and payable (whether at maturity, by redemption or by acceleration as provided in the Indenture) with respect to the Bonds and continuing until the principal of and premium, if any, and interest on the Bonds shall have been fully paid (or provision for the payment thereof shall have been made as provided in the Indenture), the Borrowers shall pay in funds which will be immediately available as of such time and date, as an installment in repayment of the loan from the Authority under the Agreement, a sum equal to the aggregate amount payable on such date as principal of (whether at maturity, by redemption or by acceleration as provided in the Indenture) and premium, if any, and interest on the Bonds, at the Principal Corporate Trust Office of the Trustee.

(2) Each payment made pursuant to the Agreement shall at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon redemption or acceleration) and premium, if any, becoming due and payable on the Bonds on each Interest Payment Date; provided that on each Interest Payment Date, any amount held by the Trustee in the Revenue Fund on the due date for a Loan Payment hereunder shall be credited against the installment due on such date to the extent available for such purpose under the terms of the Indenture; and provided further that, subject to the provisions of this paragraph, if at any time the amounts held by the Trustee in the Revenue Fund are sufficient to pay all of the principal of and interest and premium, if any, on the Bonds as such payments become due, the Borrowers shall be relieved of any obligation to make any further payments under the provisions of the Agreement. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Revenue Fund is insufficient to make any required payments of principal of (whether at maturity or upon redemption or acceleration) and interest and premium, if any, on the Bonds as such payments become due, the Borrowers shall forthwith pay such deficiency as a Loan Payment under the provisions of the Agreement.

(B) If the Borrowers fail to make any payment required hereunder as and when due, the Trustee shall promptly notify the Authority, such notice to be given by telephone, followed by written notice, or by telecopy.

(C) The Borrowers agree that they will, jointly and severally, pay to the Trustee the amount of any deficiency in the Debt Service Reserve Fund to restore the Reserve Requirement as required in the Indenture.

Additional Payments

In addition to the Loan Payments required to be made by the Borrowers, the Borrowers shall also, jointly and severally, pay to the Trustee or to the Authority, as the case may be, the following (the "Additional Payments"), provided however, any amounts paid under the Loan Agreement shall be applied first to Loan Payments pursuant to the Agreement and then to Additional Payments pursuant to the Agreement.

The Authority hereby agrees that the Borrowers' obligations hereunder to repay principal of the Loan and to pay interest thereon shall be reduced from time to time by any amounts drawn under the Credit Facility or held in the Revenue Fund and applied to payments of principal of and interest on the Bonds. The Borrowers hereby agree to cause each Credit Facility to be delivered to the Trustee at such times as are required hereunder and under the Indenture.

(A) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental Authority of whatsoever character having power to levy taxes or assessments) but excluding any taxes based upon the capital and/or income of the Trustee or any other person other than the Borrowers; provided, however, that the Borrowers shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, as the case may be, at the Borrowers' expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the Borrowers shall have the right to withhold payment of any such taxes or

assessments pending disposition of any such protest or contest unless such withholding, protest or contest would materially adversely affect the rights or interests of the Authority or the Trustee;

(B) The reasonable annual (or other regular) fees and expenses of the Trustee and its agents appointed pursuant to the Indenture, and all reasonable fees, charges and expenses of the Trustee for any extraordinary services rendered by the Trustee under the Indenture, including without limitation any amounts payable to the Trustee by the Authority from Additional Payments pursuant to the Indenture, as and when the same become due and payable;

(C) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements or opinions or provide such other services as are reasonably required under the Agreement, the Indenture or the Tax Regulatory Agreement;

(D) The fees (including the Authority's initial bond administration fee and its annual bond administration fee) and expenses of the Authority and any consultant, agent or designee selected by the Authority to act on its behalf in connection with the loan to the Borrowers under the Agreement, the Bonds, the Indenture or any other documents contemplated hereby or thereby, including without limitation expenses incurred by any attorneys (including attorneys that are employees of the Authority) representing the Authority in connection with any questions arising under the Agreement, the Indenture, the Bonds or any related document, the amendment of any of the foregoing or the enforcement thereof, any matters affecting the Facilities, or any litigation that may at any time be instituted involving such loan or the Bonds, the Indenture or any other documents contemplated hereby or thereby, and reasonable expenses incurred by the Authority in supervision and inspection of the Borrowers and their operations with respect to the use and application of such loan, in each case payable no later than 30 days after request for such payment; and

(E) Such amounts as may be necessary to satisfy the rebate requirements in accordance with the Tax Regulatory Agreement and to pay the cost of calculation of such rebate requirements.

(F) Such Additional Payments described in the Agreement shall be billed to the Borrowers by the Authority or the Trustee from time to time, together with a statement of the Authority or the Trustee, certifying that the amount billed has been incurred or paid by the Authority or the Trustee. After such a demand, amounts so billed shall be paid by the Borrowers within 30 days after receipt of the bill by the Borrowers. Notwithstanding the foregoing, the Authority shall not be required to submit a bill to the Borrowers or the Trustee for payment of the Authority's annual fee, to be collected by the Trustee from the Borrowers as provided in the Indenture and which shall be due and payable annually in advance, on each February 1, commencing February 1, 2005, and which shall equal .02% of the aggregate principal amount of Bonds Outstanding under the Indenture as of each annual due date.

Damage, Destruction and Condemnation; Use of Proceeds

(A) If, prior to full payment of the Bonds (or provision for payment thereof in accordance with the provisions of the Indenture), the Facilities or any portion thereof are destroyed (in whole or in part) or damaged by fire or other casualty, or title to, or the temporary use of, the Facilities or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Borrowers shall nevertheless be obligated to continue to pay the amounts specified in the Agreement to the extent not prepaid in accordance with the Agreement.

(B) The Net Proceeds, if any, of any insurance or condemnation awards resulting from the damage, destruction or condemnation of the Facilities or any portion thereof shall be applied in one or more of the following ways at the election of the Borrowers, such election to be subject to any conditions set forth in the Reimbursement Agreement, by prior written notice to the Authority, the Bank and the Trustee:

(1) The prompt repair, restoration, relocation, modification or improvement of the stage of completion of construction of the damaged, destroyed or condemned portion of the Facilities to enable such portion of the Facilities to accomplish at least the same function as such portion of the Facilities was designed to accomplish prior to such damage or destruction or exercise of such power of eminent domain.

(2) Prepayment of all or a portion of the Loan, subject to and in accordance with the Agreement, and redemption of Bonds, provided that no part of the Net Proceeds may be applied for such purpose unless

(a) the entire amount of the Loan is so prepaid and all of the outstanding Bonds are to be redeemed in accordance with the Indenture or

(b) in the event that only a portion of the Loan is so prepaid, the Borrowers shall furnish to the Authority and the Trustee a certificate of an Authorized Representative in a form acceptable to the Authority and the Trustee stating

(i) that the property forming the portion of the Facilities that was damaged or destroyed by such casualty or was taken by such condemnation proceedings is not essential to the Borrowers' use or possession of the remaining portion of the Facilities or

(ii) that such portion of the Facilities theretofore completed has been repaired, replaced, restored, relocated, modified or improved to enable the remaining portion of the Facilities to accomplish at least the same function as the Facilities was designed to accomplish prior to such damage or destruction or the taking by such condemnation proceedings.

(C) If the Borrowers elect to repair, restore, relocate, modify or improve the Facilities or a portion thereof pursuant to the Agreement, and if the Net Proceeds are insufficient to pay in full the cost of such repair, restoration, relocation, modification or improvement, the Borrowers will nonetheless complete the work or cause the work to be completed and the Borrowers will pay or cause to be paid any cost in excess of the amount of the Net Proceeds.

Obligations of the Borrowers Unconditional

The obligations of the Borrowers to make the Loan Payments and Additional Payments and to perform and observe the other agreements on its part contained in the Agreement shall be absolute and unconditional general obligations of the Borrowers. Until such time as the principal of and premium, if any, and interest on all Bonds shall have been fully paid (or provision for the payment thereof shall have been made as provided in the Indenture), the Borrowers (i) will not suspend or discontinue any Loan Payments or Additional Payments, (ii) will perform and observe all of its other agreements contained in the Agreement, and (iii) will not terminate the Agreement for any cause, including, without limiting the generality of the foregoing, any change in the laws of the United States of America or of the State or any political subdivision of either or any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement. The Agreement shall be deemed and construed to be a "net contract," and the Borrowers shall pay absolutely net the Loan Payments, Additional Payments and all other payments required hereunder, free of any deductions, without abatement, diminution or set-off other than those expressly provided in the Loan Agreement.

Prepayments

Upon prior consent of the Bank if a Credit Facility is then in effect and such Credit Facility requires consent, the Borrowers may at any time prepay all or any part of the Loan Payments payable under the Agreement by providing written notice at least 5 days prior to the last day by which the Trustee is required to give notice pursuant to the Indenture to the Trustee, the Bank and the Authority specifying the date of such prepayment, for the purposes and at the prices set forth in the Indenture, and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered by the Borrowers. All such prepayments shall be deposited in the Revenue Fund and credited against the Loan Payments in the order of their due date or, at the election of the Borrowers exercised in a Request of the Borrowers, used for the redemption of Outstanding Bonds of such maturities, in the amounts and on the redemption dates specified in such Request in compliance with the requirements of the Indenture. Notwithstanding any such prepayment, the Borrowers shall not be relieved of its obligations hereunder until all of the Bonds have been fully paid and retired (or provision for payment thereof shall have been made as provided in the Indenture). Prepayments to be used to redeem Bonds pursuant to the Indenture shall be deposited into the Optional Redemption Account of the Redemption Fund.

If the Borrowers are not in default in the payment of any Loan Payments or Additional Payments, the Authority, at the Request of the Borrowers, at any time when the aggregate moneys in the Revenue Fund established pursuant to the Indenture, including any prepayment deposited therein under the foregoing paragraph, are sufficient to effect redemption of all or part of the then Outstanding Bonds, and if such Bonds are then redeemable under the provisions of the Indenture, shall forthwith take all steps that may be necessary to effect such redemption in accordance with the Request of the Borrowers.

Investments

The Borrowers, by a Request of the Borrowers, may direct the investment by the Trustee of moneys in the funds and accounts established pursuant to the Indenture, subject to the limitations set forth in the Indenture. The Borrowers covenant that they will not direct the Trustee to make any investments, and that the Borrowers themselves will not make any investments of the proceeds of the Bonds, or any other funds in any way pledged to the security of or reasonably expected to be used to pay the Bonds, that would cause any of the Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code. The Borrowers shall not purchase any obligations of the Authority, pursuant to an arrangement, formal or informal, in an amount related to the amount of the loan made to the Borrowers under the Agreement. Nothing in the Agreement shall prohibit the Borrowers from receiving Bonds by gift, bequest or devise or from purchasing Bonds in the secondary market other than pursuant to an arrangement related to the loan of the proceeds of the Bonds.

Authority’s Performance

The Authority shall have no liability or obligation with respect to the payment of the Bonds, except as specifically provided in the Indenture. None of the provisions of the Agreement shall require the Authority to expend or risk its own funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder, unless payable from the revenues pledged under the Indenture, or the Authority shall first have been adequately indemnified to its satisfaction against the cost, expense, and liability which may be incurred thereby. The Authority shall not be under any obligation hereunder to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or provided by the Trustee or the Borrowers. The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions expressly contained in the Agreement, the Indenture, the Tax Regulatory Agreement and in any and every Bond executed, authenticated, and delivered under the Indenture; provided, however, that:

(A) the Authority shall not be obligated to take any action or execute any instrument pursuant to any provision under the Agreement until it shall have been requested to do so by the Borrowers or the Trustee, and

(B) the Authority shall have received the instrument to be executed.

Maintenance of Corporate Existence; Consolidation, Merger, Sale or Transfer Under Certain Conditions

Each Borrower covenants and agrees that, so long as any of the Bonds are Outstanding, it will maintain its existence as a nonprofit public benefit corporation qualified to do business in the State and an organization described in Section 501(c)(3) of the Code and will not dissolve, sell or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into it or acquire all or substantially all of the assets of any Person, except that either Borrower may, without limitation, sell or otherwise dispose of substantially all of its assets to the other Borrower, consolidate with or merge into the other Borrower, or acquire substantially all of the assets of the other Borrower. Notwithstanding the foregoing, either Borrower may, without violating the covenants contained in this paragraph, consolidate with or merge into another Person, or acquire or permit one or more other Persons to consolidate with or merge into it, or sell or otherwise transfer to another Person all or substantially all of its assets as an entirety and thereafter dissolve, if:

(1) The surviving, resulting or transferee Person, as the case may be:

(a) assumes in writing, if such Person is not one of the Borrowers, all of the obligations of the Borrowers under the Agreement;

(b) is not, after such transaction, otherwise in default under any provisions of the Agreement;
and

(c) is an organization described in Section 501(c)(3) of the Code, or a corresponding provision of the federal income tax laws then in effect.

(2) The Authority, the Trustee and the Bank shall have received a Certificate of the Borrowers to the effect that such consolidation, merger, sale or transfer will not cause the Borrowers as reconstituted to be in default under any of the covenants under the Agreement;

(3) The Trustee and the Authority shall have received an Opinion of Bond Counsel to the effect that under existing law, such merger, consolidation, sale, acquisition or other transfer will not cause interest on the Bonds to be included in gross income for federal income tax purposes under Section 103 of the Code; and

(4) The written consent of the Bank has been received by the Trustee, together with an acknowledgment that the Credit Facility will remain in effect.

If a merger, consolidation, sale or other transfer is effected, as provided in the Agreement, the provisions of the Agreement shall continue in full force and effect, and no further merger, consolidation, sale or transfer shall be effected except in accordance with the provisions of the Agreement.

Insurance

So long as any Bonds remain Outstanding, the Borrowers will maintain or cause to be maintained with respect to the Facilities, with insurance companies or by means of self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by institutions located in the State of a nature similar to that of the Borrowers and facing insurable risks similar to that of the Borrowers, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance in amounts estimated to indemnify the reasonably estimated damage, loss or liability. The Borrowers shall at all times also maintain worker's compensation coverage as required by the laws of the State.

(B) If the Authority or the Trustee shall so request in a Request of the Authority or a request of the Trustee, the Borrowers shall provide to the Authority and/or the Trustee, as requested, summaries or other evidence of its insurance coverage.

Financial Statements of the Borrowers and Reporting of Other Information

Each of the Borrowers will furnish the following to the Bank and the Trustee and, upon its written request, the Authority, so long as any Bonds remain Outstanding:

(A) its audited financial statements certified by an independent certified public accountant selected by the Borrowers as of the end of each of its fiscal years as soon as accepted by its Board of Directors but in any event within 180 days after the end thereof;

(B) a copy of any notice from a Rating Agency to the effect that any of the Borrowers' debt is being rated or re-rated; and

(C) promptly upon the Request of the Authority or the request of the Trustee, such other information regarding the financial position, results of operations, business or prospects of the Borrowers as such party may reasonably request from time to time.

Credit Facility

The Borrowers agree that throughout the term of the Agreement it, or any successor or assignee as permitted by the Agreement, will maintain or cause to be maintained the Credit Facility or an Alternate Credit Facility; provided,

however, that, with the consent of the Authority, which shall be conditioned in part upon receipt of written evidence that the underlying credit rating on the Bonds is "A" or higher from either Moody's or S&P, if the Bonds are converted to a Fixed Rate Mode or Auction Rate Mode, no Credit Facility shall be required after conversion and remarketing of such Bonds with respect to such Fixed Interest Rate or conversion to and auction of such Bonds in an Auction Rate Mode. The Borrowers have the option, which can be exercised at any time, to provide for the delivery of an Alternate Credit Facility. At least 30 days prior to the expiration of an existing Credit Facility the Borrowers are required to provide notice to the Trustee of the delivery of an Alternate Credit Facility. An Alternate Credit Facility shall: (i) be an irrevocable letter of credit or other irrevocable credit facility, (ii) be issued by a commercial bank, savings institution or other institution, (iii) have terms, to the extent dictated by the terms of the Bonds, the same as or similar to the Credit Facility, and (iv) have an expiration date not earlier than one year from its date of issuance (subject to earlier termination upon payment of all Bonds in full or provision for such payment in accordance with Article X of the Indenture) or the last day of any Term Period then in effect. The procedures and requirements for providing an Alternate Credit Facility are set forth in the Indenture.

Other Covenants of the Borrowers

(A) The Borrowers will comply in all material respects with all laws, statutes, ordinances, regulations, covenants, conditions and restrictions now or hereafter affecting the Facilities, the Borrowers or the operations thereof, and it will not commit, suffer or permit any act to be done in violation of any law, ordinance or regulation, except, in each case, where such noncompliance or act would not have a material adverse effect upon the Borrowers' assets, operations or financial condition.

(B) The Borrowers will use commercially reasonable efforts to cause the Facilities to be maintained in good condition and repair, will maintain, operate and use the Facilities, during the useful life thereof, and, except as permitted by the Agreement, and except in the ordinary course of business, will not alienate, sell, convey or transfer the Facilities unless it provides to the Trustee and the Authority an Opinion of Bond Counsel to the effect that such alienation, sale, conveyance or transfer will not cause interest on the Outstanding Bonds to be included in the gross income of the Holders thereof for federal income tax purposes.

(C) The Borrowers shall not engage in any activity in any part of the Facilities, and shall use reasonable efforts to prevent others from engaging in any activity therein, which will result in the Facilities, or any part thereof, containing any of the following in concentrations or under conditions in material violation of Hazardous Materials Laws (as defined below):

(1) any oil, or Hazardous Materials, as defined below (excepting only minor quantities of household, educational and cleaning materials customarily used in the ordinary course of prudent household, educational or business purposes, as applicable, including without limitation materials customarily used in biology and chemistry laboratories, and maintained in accordance with all applicable Hazardous Materials Laws);

(2) asbestos in any form which is or could be friable;

(3) urea formaldehyde foam insulation; or

(4) transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of 50 parts per million.

Notwithstanding the foregoing, the possession by the Borrowers of minor quantities of a Hazardous Material, the presence of which does not materially violate any Hazardous Materials Laws and the removal of which is not mandated by such Hazardous Materials Laws shall not be a violation of the Agreement. If at any time it is determined that the provisions of the Agreement have been violated, the Borrowers shall be solely responsible for and shall pay for all costs incurred in connection with the remediation or removal of the Hazardous Materials, if such remediation or removal is required by any regulatory authority implementing the Hazardous Materials Laws. Any liability of the Borrowers arising out of the Agreement shall, to the extent provided under any Hazardous Materials Laws, survive the Borrowers' satisfaction of their respective obligations hereunder, including, without limitation, a transfer of the Facilities or any portion thereof, by foreclosure, by deed in lieu of foreclosure or otherwise.

“Hazardous Materials” means

- (a) any oil, flammable substances, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other materials or pollutants which
 - (i) pose a hazard to the Facilities or to persons on or about the Facilities or
 - (ii) cause the Facilities to be in violation of any Hazardous Materials Laws;
- (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty (50) parts per million;
- (c) any chemical, materials or substance defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous waste,” “restricted hazardous waste,” or “toxic substances” or words of similar import under any applicable local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto, and
- (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or may or could pose a hazard to the health and safety of the occupants of the Facilities or the owners and/or occupants of property adjacent to or surrounding the Facilities.

“Hazardous Materials Laws” shall mean any federal, state or local laws, ordinances, regulations, or policies relating to the environment, health and safety, or to Hazardous Materials (including, without limitation, the use, handling, transportation, production, disposal, discharge or storage thereof) including, without limitation, soil or ground water conditions.

Continuing Disclosure

The Borrowers covenant and agree that they, upon conversion of the Bonds to a Term Mode, Auction Mode or a Fixed Rate Mode, will comply with and carry out all of the continuing disclosure requirements of Securities and Exchange Commission Rule 15c2-12, as applicable (provided that the Borrowers shall not be required to comply with Rule 15c2-12 to the extent the Bonds qualify for an exemption based on the terms of the Term Interest Rate to be put into effect). Notwithstanding any other provision of the Agreement, failure of the Borrowers to comply with such requirements shall not be considered an event of default hereunder and the Trustee shall have no right to accelerate all installments of the Loan Payments pursuant to the Agreement as a result thereof, however, the Trustee at the written request of the Holders of at least a majority of the aggregate principal amount in Outstanding Bonds, shall (but only to the extent the Trustee has been tendered funds in an amount satisfactory to it or it has been otherwise indemnified from and against any loss, liability, cost or expense, including without limitation, fees and expense of its counsel and agents and additional fees and charges of the Trustee) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Borrowers to comply with their obligations under this paragraph. For purposes of the Agreement, “Beneficial Owner” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Events of Default

The following shall be “events of default” under the Agreement, and the terms “events of default” or “default” shall mean, whenever they are used in the Agreement, any one or more of the following events:

- (A) The Borrowers fail to make any Loan Payment by its due date; or
- (B) The Borrowers fail to observe and perform any material covenant, condition or agreement on its part to be observed or performed under the Agreement other than as referred to in paragraph (A) above for a period of 60

days after written notice specifying such failure and requesting that it be remedied is given to the Borrowers by the Authority, the Bank or the Trustee, with a copy to the Bank; provided, however, if the failure stated in the notice is correctable but cannot be corrected within the applicable period, the Trustee, upon the prior written consent of the Bank, will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrowers within the applicable period and diligently pursued until the default is corrected; or

(C) Any of the representations or warranties of the Borrowers in the Loan Agreement or in any other written document, certificate or writing furnished by the Borrowers to the Authority in connection with the application for or the negotiation of the Agreement or the issuance of the Bonds was false or incorrect in any material respect when made; or

(D) Either Borrower applies for or consents to the appointment of any receiver, trustee, or similar officer for it or for all or any substantial part of its property or admits in writing its inability to pay its debts as they mature; or such a receiver, trustee or similar officer is appointed without the application or consent of either Borrower and such appointment continues undischarged for a period of 60 days; or either Borrower institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding is instituted (by petition, application or otherwise) against either Borrower and remains undischarged for a period of 60 days; or either Borrower makes a general assignment for the benefit of creditors.

Remedies on Default

In the event any of the Bonds shall at the time be Outstanding and unpaid (and provision for the payment thereof shall not have been made as provided in the Indenture) and any event of default referred to in the Agreement shall have happened and be continuing, the Authority or the Trustee may, with the consent of the Bank, and shall, at the direction of the Bank, take any one or more of the following remedial steps:

(1) The Authority or the Trustee may, at its option, declare all installments of Loan Payments to be immediately due and payable, whereupon the same shall become immediately due and payable.

(2) The Authority or the Trustee may take whatever action at law or in equity that may appear necessary or desirable to collect the payments then due and thereafter to become due hereunder, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, condition or covenant of the Borrowers under the Agreement.

The term “all installments” shall mean an amount equal to the entire principal amount of the then Outstanding Bonds, together with all interest accrued or to accrue on and prior to the next succeeding redemption date or dates on which the Bonds can be and actually are redeemed after giving notice to the Holders thereof as required by the Indenture (less moneys available for such purpose then held by the Trustee) plus any other payments due or to become due under the Agreement, including, without limitation, any unpaid fees and expenses of the Authority, the Trustee and any paying agents of the Bonds which are then due or will become due prior to the time that the Bonds are paid in full and the trust established by the Indenture is terminated.

No remedy conferred upon or reserved to the Authority, the Bank or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Agreement or now or hereafter existing at law or in equity or by statute. No delay in exercising or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority, the Bank or the Trustee to exercise any remedy reserved to it by this paragraph, it shall not be necessary to give any notice, other than such notice as may be expressly required. The Trustee and the Bank shall each be deemed a third party beneficiary of all covenants and conditions contained in the Loan Agreement.

In the event the Borrowers should default under any of the provisions of the Agreement and the Authority or the Trustee should employ attorneys or incur other expenses for the collection of the payments due under the

Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Borrowers, the Borrowers agree that they will on demand therefor pay to the Authority or the Trustee the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Authority or the Trustee.

Expenses; Indemnification

The Borrowers will pay Costs of Issuance and all other expenses, including without limitation, attorneys fees, incurred by the Authority and the Trustee in connection with the Agreement or the offer, sale or delivery of the Bonds and will hold the Authority and the Trustee free and harmless of and from any claims of any kind for such or similar fees and expenses.

The Borrowers further covenant and agree as follows:

(A) to indemnify the Authority and the Trustee as provided in the Loan Agreement;

(B) to protect, indemnify and save, to the extent permitted by law, the Trustee, the Authority, the Association of Bay Area Governments ("ABAG"), and their respective incorporators, members, commissioners, directors, officers, agents and employees harmless from and against all liability, losses, damages, costs, expenses (including reasonable attorneys' fees), taxes, causes of action, suits, claims, demands and judgments of every conceivable kind, character and nature whatsoever, by or on behalf of any person arising in any manner from the transaction of which the Agreement is a part or arising in any manner in connection with the Facilities or the refinancing of the Facilities, including, but not limited to, losses, claims, damages, liabilities or reasonable expenses arising out of, resulting from or in any way connected with

(i) the work done on the Facilities or the operation of the Facilities during the term of the Agreement, including, without limitation, any liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Facilities,

(ii) any violation of law, ordinance or regulation affecting the Facilities or any part thereof or the ownership or occupancy or use thereof,

(iii) any violation of contract, agreement or restriction relating to the Facilities except with respect to the payment of the principal and interest on the Bonds,

(iv) the issuance, offering, sale, remarketing, execution, delivery or payment of the Bonds or the interest thereon and the carrying out of any of the transactions contemplated by the Agreement, the Indenture, the Tax Regulatory Agreement, and all related documents, or

(v) any written statements or representations made by any underwriter to any purchaser of the Bonds or any other person or entity with respect to the Borrowers, the Facilities, the Authority, ABAG, the Trustee or the Bonds, including, but not limited to, statements or representations of facts, any untrue statements or alleged untrue statements of any material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the Bonds, or financial information except, with respect to the Trustee, any statements made by the Trustee;

Promptly after receipt by an Indemnified Party (as defined below) of notice of the commencement of any action in respect of which indemnification may be sought pursuant to the Agreement, the person in respect of which indemnification may be sought (the "Indemnified Party") shall promptly notify the person against whom such indemnification may be sought (the "Indemnifying Party") in writing, but the omission to so notify the Indemnifying Party will not relieve the Indemnifying Party from any liability which it may have to any Indemnified Party under this paragraph other than to the extent of prejudice caused directly or indirectly by such omission nor affect any rights it may have to participate in and/or assume the defense of any action brought against any Indemnified Party. In case such action is brought against any Indemnified Party, and it notifies the Indemnifying Party of the commencement thereof, the Indemnifying Party will be entitled to participate in and, to the extent that it chooses so to do, to assume the investigation and defense thereof (including the employment of counsel reasonably satisfactory to such Indemnified

Party), and the Indemnifying Party shall assume the payment of all reasonable fees and expenses relating to such investigation and defense and shall have the right to negotiate and consent to settlement thereof. Any one or more of the Indemnified Parties shall have the right to employ separate counsel in any such action or proceeding and to participate in the investigation and defense thereof, and the Borrowers shall pay the fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrowers if in the judgment of such Indemnified Party and the Borrowers a conflict of interest exists or could develop by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel. The Indemnifying Party shall not be liable for any settlement of any such action effected without its consent, but, if settled with the consent of the Indemnifying Party or if there be a final judgment for the plaintiff in any such action as to which the Indemnifying Party has received notice in writing as required in the Loan Agreement, the Indemnifying Party agrees to indemnify and hold harmless the Indemnified Party from and against any loss or liability by reason of such settlement or judgment to the extent provided in this paragraph;

Notwithstanding the previous provisions of this paragraph, the Borrowers shall not be liable for or obligated to indemnify or hold the Trustee (or any of its respective incorporators, members, commissioners, directors, officers, employees or agents) harmless against any loss or damage to property or injury or death to any person or other loss or liability if such loss, damage, liability, injury or death results from the negligence or willful misconduct of the Trustee (or any of its respective incorporators, members, commissioners, officers, employees or agents).

Limitation on Liability of Authority

Anything in the Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that

(i) the Authority may rely conclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Authority by the Trustee or the Borrowers as to the existence of any fact or state of affairs required hereunder to be noticed by the Authority;

(ii) the Authority shall not be under any obligation hereunder to perform any record keeping or to provide any legal services, it being understood that such services shall be provided by or on behalf of either the Trustee or the Borrowers and

No recourse shall be had for the enforcement of any obligation, covenant, promise or agreement of the Authority contained in the Agreement or in any Bond or for any claim based hereon or otherwise in respect hereof or upon any obligation, covenant, promise or agreement of the Authority contained in any agreement, instrument or certificate executed in connection with the Facilities or the issuance and sale of the Bonds, against any Authority Indemnified Parties, whether by virtue of any Constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that no personal liability whatsoever shall attach to, or be incurred by, any member of the Authority Indemnified Parties, as such, in his or her individual capacity, past, present or future, of the Authority or of any successor thereto, either directly or by reason of any of the obligations, covenants, promises or agreements entered into between the Authority and the Trustee or Borrowers to be implied therefrom as being supplemental hereto or thereto, and that all personal liability of that character against every such Authority Indemnified Party, is, by the execution of the Bonds, the Loan Agreement and the Indenture, and as a condition of, and as part of the consideration for, the execution of the Bonds, the Agreement and the Indenture, expressly waived and released.

(i) none of the provisions of the Agreement shall require the Authority to expend or risk its own funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise or any of its rights or powers hereunder, unless it shall first have been adequately indemnified to its satisfaction against the cost, expenses and liability which may be incurred thereby.

No agreements or provisions contained in the Agreement nor any agreement, covenant or undertaking by the Authority in connection with the Facilities or the issuance, sale and delivery of the Bonds shall give rise to any pecuniary liability of the Authority or a charge against its general credit, or shall obligate the Authority financially in any way, except as may be payable from the Revenues pledged hereby for the payment of the Bonds and its application as

provided in the Indenture. No failure of the Authority to comply with any term, covenant or agreement contained in the Bonds, the Agreement, the Indenture or in any document executed by the Authority in connection with the Facilities or the issuance and sale of the Bonds, shall subject the Authority to liability for any claim for damages, costs or other financial or pecuniary charge, except to the extent that the same can be paid or recovered from the revenues pledged for the payment of the Bonds or other revenues derived under the Agreement. Nothing shall preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Authority for any failure to comply with any term, condition, covenant or agreement in the Loan Agreement; provided that no costs, expenses or other monetary relief shall be recoverable from the Authority, except as may be payable from the Revenues pledged in the Indenture for the payment of the Bonds or other revenues derived under the Agreement. No provision, covenant or agreement contained in, or any obligations imposed upon the Authority, or the breach thereof, shall constitute an indebtedness of the Authority within the meaning of any State constitutional or statutory limitation or shall constitute or give rise to a charge against its general credit. In making the agreements, provisions and covenants set forth in the Agreement and the Indenture, the Authority has not obligated itself, except with respect to the application of the Revenues pledged in the Indenture for the payment of the Bonds or other Revenues derived under the Agreement.

THE BORROWERS RECOGNIZE THAT, BECAUSE THE FACILITIES HAVE BEEN AND ARE TO BE DESIGNATED AND SELECTED BY IT, THE AUTHORITY HAS NOT MADE AN INSPECTION OF THE FACILITIES OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND THE AUTHORITY MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY THE BORROWERS. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE FACILITIES OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE AUTHORITY SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS PARAGRAPH HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE AUTHORITY, EXPRESS OR IMPLIED, WITH RESPECT TO THE FACILITIES, ANY ADDITIONAL FACILITIES OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT.

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APPENDIX B
FORM OF PROPOSED LEGAL OPINION OF BOND COUNSEL

ABAG Finance Authority for Nonprofit Corporations
101 Eighth Street
Oakland, CA 94607

Re: [\$10,535,000] ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Refunding Revenue Bonds (On Lok Senior Health Services and On Lok Community Housing, Inc.) , Series 2004

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by the ABAG Finance Authority for Nonprofit Corporations (the “Authority”) of [\$10,535,000] aggregate principal amount of ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Refunding Revenue Bonds (On Lok Senior Health Services and On Lok Community Housing, Inc.) Series 2004 (the “Bonds”). The Bonds are issued pursuant to the provisions of the Joint Exercise of Powers Act, comprising Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California, and an Indenture, dated as of February 1, 2004 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are being issued to refund certain revenue bonds previously issued for the benefit of the Borrowers, fund a Reserve Fund, and pay certain costs of issuance.

The proceeds of the Bonds will be loaned to On Lok Senior Health Services and On Lok Community Housing, Inc. (the “Borrowers”) pursuant to a Loan Agreement, dated as of February 1, 2004 (the “Loan Agreement”), between the Authority and the Borrowers. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have examined the Indenture, the Loan Agreement; the Tax Agreement and No Arbitrage Certificate with Rebate Certificate, dated February 1, 2004, by the Authority and the Borrowers (the “Tax Documents”); opinions of counsel to the Trustee and the Borrowers; certificates of the Authority, the Trustee, the Borrowers and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and speak only as of their date and only in connection with the Bonds and may not be applied to any other transaction. Such opinions are specifically limited to the laws of the State of California and, to the extent applicable, the laws of the United States of America. Such

opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.

We express no opinion as to the title to, or the description of, the Facilities or the existence of any liens, charges, or encumbrances on the Facilities, or the priority of lien of the Indenture.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the Indenture, the Loan Agreement, the Tax Documents and certified proceedings and other certificates of public officials furnished to us, and certifications furnished to us by or on behalf of the Borrowers and Cain Brothers & Company, LLC (the “Underwriter”). We note that various issues concerning the existence of and actions by the Authority and the existence of and actions by and status under Section 501(c)(3) of the Code of the Borrowers are addressed respectively, in the opinion of counsel to the Authority and in the opinion of counsel to the Borrowers, and we express no opinion with respect to those issues. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Documents, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement, and the Tax Documents and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting creditors’ rights generally, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Additionally, in rendering this opinion, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the “Service”); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer. We observe that the Authority has covenanted in the Indenture not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds have been duly authorized, executed and delivered by the Authority and constitute the valid and binding limited obligations of the Authority, payable solely from the receipts and other funds as provided in the Indenture.

2. The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the Authority, enforceable against the Authority in accordance with its terms, subject to the limitations noted above. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Loan Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Authority, enforceable against the Authority in accordance with its terms, subject to the limitations noted above.

4. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, except that interest on the Bonds will be included in the adjusted current earnings of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT) for purposes of computing its alternative minimum tax. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

HANSON, BRIDGETT, MARCUS, VLAHOS & RUDY, LLP

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APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for the maturity of the Bonds, in the aggregate principal amount of such, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (respectively, “NSCC”, “GSCC”, “MBSCC”, and “EMCC”, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the

Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the Bonds by the Authority will reduce the outstanding principal amount of Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Bonds held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Bonds for the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Indenture and will not be conducted by the Authority or the Trustee.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, of premium, if any, and interest evidenced by the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and none of the Authority, the Borrowers, the Underwriter, or the Trustee take any responsibility for the accuracy thereof.

NONE OF THE AUTHORITY, THE BORROWER, THE UNDERWRITER AND THE TRUSTEE CAN GIVE AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE BONDS, (2) CERTIFICATES REPRESENTING, OR OTHER CONFIRMATION OF, BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, OR (3) NOTICES OF REDEMPTION OR OTHER NOTICES SENT TO DTC

OR ITS NOMINEE, CEDE & CO., OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NONE OF THE AUTHORITY, THE BORROWER, THE UNDERWRITER AND THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO THE BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL, PURCHASE PRICE OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

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APPENDIX D

AUCTION RATE MODE PROVISIONS

CERTAIN DEFINED TERMS

The following words and terms as used in this APPENDIX D have the following meanings with respect to Bonds in an Auction Rate Mode unless the context or use indicates another or different meaning or intent:

“Agent Member” means a member of, or participant in, the Securities Depository who will act on behalf of a Bidder.

“All Hold Rate” means, as of any Auction Date, 55% of the Index in effect on such Auction Date.

“Auction” means each periodic implementation of the Auction Procedures.

“Auction Agent” means the auctioneer appointed in accordance with the provisions of this Indenture and will initially be Cain Brothers & Company, LLC.

“Auction Agreement” means an agreement among the Borrowers, the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Indenture, with respect to the Bonds while bearing interest at an Auction Period Rate, as such agreement may from time to time be amended or supplemented.

“Auction Date” means, with respect to Bonds, during any period in which the Auction Procedures are not suspended in accordance with the provisions of this Indenture, (i) if the Bonds are in a daily Auction Period, each Business Day, (ii) if the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and (iii) if the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction will be conducted on such date); provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or a Flexible Auction Period will be the earlier of (a) the Business Day next preceding the Interest Payment Date next preceding the effective date of a change in the Interest Rate Mode from an Auction Rate Mode to a different Interest Rate Mode for such Bonds and (b) the Business Day next preceding the Interest Payment Date next preceding the Maturity Date for such Bonds; and provided further, however, that if such Bonds are in a daily Auction Period, the last Auction Date will be the earlier of (x) the Business Day next preceding the effective date of a change in the Interest Rate Mode applicable to such Bonds from an Auction Rate Mode to a different Interest Rate Mode and (y) the Business Day next preceding the final maturity date for such Bonds; and provided further, however, that the last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there will be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion.

“Auction Multiple” means, as of any Auction Date, the Percentage of Index (in effect on such Auction Date) determined as set forth below, based on the Prevailing Rating of the Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date:

<u>Prevailing Rating</u>	<u>Percentage of Index</u>
AAA/Aaa	150%
AA/Aa	175
A/A	200
BBB/Baa	250
Below BBB/Baa	275

“Auction Period” means

- (a) a Flexible Auction Period;
- (b) with respect to Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day;
- (c) with respect to Bonds in a seven day Auction Period and with Auctions generally conducted on
 - (i) Fridays, a period of generally seven days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),
 - (ii) Mondays, a period of generally seven days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),
 - (iii) Tuesdays, a period of generally seven days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),
 - (iv) Wednesdays, a period of generally seven days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and
 - (v) Thursdays, a period of generally seven days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);
- (d) with respect to Bonds in a 28-day Auction Period and with Auctions generally conducted on
 - (i) Fridays, a period of generally 28 days beginning on a Monday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the fourth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),
 - (ii) Mondays, a period of generally 28 days beginning on a Tuesday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the fourth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),
 - (iii) Tuesdays, a period of generally 28 days beginning on a Wednesday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),
 - (iv) Wednesdays, a period of generally 28 days beginning on a Thursday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the fourth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and
 - (v) Thursdays, a period of generally 28 days beginning on a Friday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the fourth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).
- (e) with respect to Bonds in a 35-day Auction Period and with Auctions generally conducted on

(i) Fridays, a period of generally 35 days beginning on a Monday (or the last day of the prior Auction Period if the prior Auction Period does not end on Sunday) and ending on the fifth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),

(ii) Mondays, a period of generally 35 days beginning on a Tuesday (or the last day of the prior Auction Period if the prior Auction Period does not end on Monday) and ending on the fifth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),

(iii) Tuesdays, a period of generally 35 days beginning on a Wednesday (or the last day of the prior Auction Period if the prior Auction Period does not end on Tuesday) and ending on the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),

(iv) Wednesdays, a period of generally 35 days beginning on a Thursday (or the last day of the prior Auction Period if the prior Auction Period does not end on Wednesday) and ending on the fifth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and

(v) Thursdays, a period of generally 35 days beginning on a Friday (or the last day of the prior Auction Period if the prior Auction Period does not end on Thursday) and ending on the fifth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(f) with respect to Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the first day of the month that is the third calendar month following the beginning date of such Auction Period (unless such first day of the month is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); and

(g) with respect to Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding April 30 or October 31;

provided, however, that

(a) if there is a conversion of Bonds with Auctions generally to be conducted on Fridays

(i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),

(ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and

(iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion;

(b) if there is a conversion of Bonds with Auctions generally to be conducted on Mondays

(i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),

(ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Monday

(unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and

(iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion;

(c) if there is a conversion of Bonds with Auctions generally to be conducted on Tuesdays

(i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),

(ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and

(iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion;

(d) if there is a conversion of Bonds with Auctions generally to be conducted on Wednesdays

(i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),

(ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and

(iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion; and

(e) if there is a conversion of Bonds with Auctions generally to be conducted on Thursdays

(i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),

(ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and

(iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion;

provided further, however, that any Auction Period that is greater than 35 days may be extended as provided in paragraph (d) of Section 2.03 of this **APPENDIX D**.

“Auction Period Rate” means the rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.03 of this **APPENDIX D**; provided, however, in no event may the Auction Period Rate exceed the Maximum Interest Rate.

“Auction Procedures” means the procedures for conducting Auctions for Bonds during an Auction Rate Mode set forth in this **APPENDIX D**.

“Auction Rate” means, for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate; provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate with regard to such Bonds, and (ii) if Sufficient Clearing Bids do not exist, the Maximum Auction Rate with regard to such Bonds.

“Auction Rate Mode” means the Interest Rate Mode during which the Bonds bear interest at an Auction Period Rate.

“Available Bonds” means on each Auction Date, the aggregate principal amount of the Bonds that are not the subject of Submitted Hold Orders.

“Bid” has the meaning specified in subsection (a) of Section 2.01 of this **APPENDIX D**.

“Bidder” means each Existing Owner and Potential Owner who places an Order.

“Broker-Dealer” means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Indenture, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Borrowers, and that is a party to a Broker-Dealer Agreement with the Auction Agent and the Borrowers.

“Broker-Dealer Agreement” means an agreement among the Borrowers, the Auction Agent and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in the Indenture, as such agreement may from time to time be amended or supplemented.

“Default Rate” means, in respect of any Auction Period other than a daily Auction Period, a per annum rate equal to 300% of the Index determined on the Auction Date next preceding the first day of such Auction Period or, in the case of Bonds in a daily Auction Period, 300% of the Index determined on the Auction Date which was the first day of such Auction Period; provided, however, the Default Rate will not exceed the Maximum Interest Rate.

“Securities Depository” means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Borrowers which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

“Existing Owner” means a Person who is listed as the beneficial owner of Bonds in the records of the Auction Agent.

“Flexible Auction Period” means any period of not less than seven nor more than 364 days which is not another Auction Period and which begins on an Interest Payment Date and ends on

(i) in the case of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day,

(ii) in the case of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day,

(iii) in the case of Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day,

(iv) in the case of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless

such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day.

“Hold Order” has the meaning specified in subsection (a) of Section 2.01 of this **APPENDIX D**.

“Index” will have the meaning specified in Section 2.06 of this **APPENDIX D**.

“Interest Payment Date” means

(a) when used with respect to any Auction Period (including the initial Auction Period commencing on and including the effective date of a change in the Interest Rate Mode to an Auction Rate Mode and expiring on and including the initial Auction Date (or, if such initial Auction Date is not followed by a Business Day, the next succeeding day that is followed by a Business Day) determined by the Borrowers in connection with a change in the Interest Rate Mode to an Auction Rate Mode) other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period,

(b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period,

(c) when used with respect to a Flexible Auction Period of

(i) seven or more but fewer than 92 days, the Business Day immediately following such Flexible Auction Period, or

(ii) 92 or more days,

(A) in the case of Bonds with Auctions generally conducted on Fridays, each thirteenth Monday after the first day of such Flexible Auction Period or the next Business Day if such Monday is not a Business Day and on the Business Day immediately following such Flexible Auction Period,

(B) in the case of Bonds with Auctions generally conducted on Mondays, each thirteenth Tuesday after the first day of such Flexible Auction Period or the next Business Day if such Tuesday is not a Business Day and on the Business Day immediately following such Flexible Auction Period,

(C) in the case of Bonds with Auctions generally conducted on Tuesdays, each thirteenth Wednesday after the first day of such Flexible Auction Period or the next Business Day if such Wednesday is not a Business Day and on the Business Day immediately following such Flexible Auction Period,

(D) in the case of Bonds with Auctions conducted on Wednesdays, each thirteenth Thursday after the first day of such Flexible Auction Period or the next Business Day if such Thursday is not a Business Day and on the Business Day immediately following such Flexible Auction Period, and

(E) in the case of Bonds with Auctions generally conducted on Thursdays, each thirteenth Friday after the first day of such Flexible Auction Period or the next Business Day if such Friday is not a Business Day and on the Business Day immediately following such Flexible Auction Period.

“Maximum Auction Rate” means, as of any Auction Date, the product of the Index multiplied by the Auction Multiple; provided, however, that the Maximum Auction Rate will not exceed the Maximum Interest Rate.

“Maximum Interest Rate” means the lesser of 15% per annum or the highest interest rate which may be borne by the Bonds under State law.

“Moody’s” means Moody’s Investors Service, or its successor.

“Order” means a Hold Order, Bid or Sell Order.

“Potential Owner” means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds, in addition to the Bonds currently owned by such Person, if any.

“Prevailing Rating” means (a) AAA/Aaa, if the Bonds will have a rating of AAA by S&P and a rating of Aaa by Moody’s, (b) if not AAA/Aaa, AA/Aa if the Bonds will have a rating of AA- or better by S&P and a rating of Aa3 or better by Moody’s, (c) if not AAA/Aaa or AA/Aa, A/A if the Bonds will have a rating of A- or better by S&P and a rating of A3 or better by Moody’s, and (d) if not AAA/Aaa, AA/Aa or A/A, then below A/A, whether or not the Bonds are rated by any securities rating agency. For purposes of this definition, S&P’s rating categories of “AAA,” “AA,” and “A-” and Moody’s rating categories of “Aaa,” “Aa3” and “A3,” will be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agencies will have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof will use different rating categories. If the Bonds are not rated by a Rating Agency, the requirement of a rating by such Rating Agency will be disregarded. If the ratings for the Bonds are split between two of the foregoing categories, the lower rating will determine the Prevailing Rating. If there is no rating, then the Auction Period Rate will be the Maximum Auction Rate.

“Principal Office” means, with respect to the Auction Agent, the office thereof designated in writing to the Trustee and each Broker-Dealer.

“S&P” means Standard & Poor’s Ratings Group, a Division of The McGraw-Hill Companies, Inc., or its successor.

“Sell Order” has the meaning specified in subsection (a) of Section 2.01 of this **APPENDIX D**.

“Submission Deadline” means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as will be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which the Broker-Dealer is required to submit Orders to the Auction Agent.

“Submitted Bid” has the meaning specified in subsection (b) of Section 2.03 of this **APPENDIX D**.

“Submitted Hold Order” has the meaning specified in subsection (b) of Section 2.03 of this **APPENDIX D**.

“Submitted Order” has the meaning specified in subsection (b) of Section 2.03 of this **APPENDIX D**.

“Submitted Sell Order” has the meaning specified in subsection (b) of Section 2.03 of this **APPENDIX D**.

“Sufficient Clearing Bids” means with respect to Bonds, an Auction for which the aggregate principal amount of Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Auction Rate is not less than the aggregate principal amount of Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Auction Rate.

“Winning Bid Rate” means with respect to Bonds, the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the Auction Period Rate would cause the aggregate principal amount of Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds.

AUCTION PROCEDURES

Section 2.01. Orders by Existing Owners and Potential Owners

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as will be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period will not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period will be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Bonds, the Broker-Dealer will contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of Bonds, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof an Order containing the information referred to in clause (i)(A) above is herein referred to as a “Hold Order”, an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a “Bid”, and an Order containing the information referred to in clause (i)(C) above is herein referred to as a “Sell Order.”

(b) (i) A Bid by an Existing Owner will constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date will be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.04 hereof if the rate determined by the Auction Procedures on such Auction Date will be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.04 hereof if such specified rate will be higher than the Maximum Auction Rate, and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner will constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.04 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner will constitute an irrevocable offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date will be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.04 hereof if the rate determined by the Auction Procedures on such Auction Date will be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies Bonds to be held, purchased or sold in a principal amount which is not \$25,000 or an integral multiple thereof will be rounded down to the nearest \$25,000, and the Auction Agent will conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to a Bond which has been called for redemption on or prior to the Interest Payment

Date next succeeding such Auction will be invalid with respect to such portion and the Auction Agent will conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction will be included in the calculation of Available Bonds for such Auction; and

(iv) the Auction Procedures will be suspended during the period commencing on the date of the Auction Agent's receipt of notice from the Trustee or the Borrowers of the occurrence of an Event of Default resulting from a failure to pay principal, premium or interest on any Bond when due (provided, however, that for purposes of this provision only, payment by the Bank will be deemed to cure such Event of Default and no suspension of the Auction Procedures will occur) but will resume two Business Days after the date on which the Auction Agent receives notice from the Trustee that such Event of Default has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Section 2.02. Submission of Orders by Broker-Dealer to Auction Agent

(a) Each Broker-Dealer will submit to the Auction Agent in writing or by such other method as will be reasonably acceptable to the Auction Agent, including such electronic communication acceptable to the parties, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying, if requested, with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of Bonds, if any, that are the subject of such Order;

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of Bonds, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of Bonds, if any, subject to any Sell Order placed by such Existing Owner; and

(iv) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent will round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds held by an Existing Owner is or are not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent will deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Bonds to be converted held by such Existing Owner, the Auction Agent will deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders will be considered valid as follows:

(i) all Hold Orders will be considered Hold Orders, but only up to and including in the aggregate the principal amount of Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner will be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of the Bonds subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) above, all Bids of an Existing Owner with the same rate will be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids will be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above; and

(D) the principal amount, if any, subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) will be treated as the subject of a Bid by a Potential Owner; and

(iii) all Sell Orders will be considered Sell Orders, but only up to and including a principal amount of Bonds equal to the excess of the principal amount of Bonds held by such Existing Owner over the sum of the principal amount of the Bonds considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of Bonds considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) above.

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate will be aggregated and considered a single Bid and each Bid submitted with a different rate will be considered a separate Bid with the rate and the principal amount of Bonds specified therein.

(f) Neither the Borrowers, the Trustee, nor the Auction Agent will be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Section 2.03. Determination of Auction Period Rate

(a) Not later than 9:30 a.m., New York City time, on each Auction Date the Auction Agent will advise the Broker-Dealer and the Trustee by telephone or other electronic communication acceptable to them of the All Hold Rate, the Maximum Auction Rate and the Index for the Bonds.

(b) Promptly after the Submission Deadline on each Auction Date the Auction Agent will assemble all Orders submitted or deemed submitted to it by the Broker-Dealer (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and will determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above the Auction Agent will advise the Trustee by telephone (promptly confirmed in writing), telex or facsimile transmission or other electronic communication acceptable to the parties of the Auction Rate for the next succeeding Auction Period and the Trustee will promptly notify DTC of such Auction Rate.

(d) In the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Period,

(i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period shall be the same as the preceding Auction Period and the Auction Period Rate for the new Auction Period shall be the same as the Auction Period Rate for the preceding Auction Period, and

(ii) if the preceding Auction Period was a period of greater than 35 days, the preceding Auction Period shall be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the Auction Period Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended.

In the event an Auction Period is extended as set forth in clause (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended.

(e) In the event that the Auction Procedures are suspended pursuant to paragraph (iv) of subsection (c) of Section 2.01 hereof due to the failure to pay principal of or premium or interest on any Bond, the Auction Period Rate for the next succeeding Auction Period will be the Default Rate.

(f) In the event of a failed conversion with respect to the Bonds to a Daily Rate, a Weekly Rate, a Flexible Rate, a Term Rate or a Fixed Rate, or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period will be the Maximum Auction Rate and the Auction Period will be a seven-day Auction Period.

(g) If the Bonds are not rated or if the Bonds are no longer registered in the name of the Securities Depository, then the Auction Period Rate will be the Maximum Auction Rate.

Section 2.04. Allocation of Bonds

(a) In the event of Sufficient Clearing Bids for the Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for such Bonds will be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner will be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate will be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate will be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii) or (iv) above by (B) a fraction the numerator of which will be the principal amount of Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which will be the aggregate principal amount of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid will be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate will be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii), (iv) or (v) above by (B) a fraction the numerator of which will be the principal amount of Outstanding Bonds subject to such Submitted Bid and the denominator of which will be the sum of the aggregate principal amount of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid will be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate will be rejected.

(b) In the event there are not Sufficient Clearing Bids for Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for the Bonds will be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Auction Rate will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Auction Rate will be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner will be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Auction Rate with respect to the Bonds will be deemed to be and will be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which will be the principal amount of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order, or such Submitted Bid deemed to be a Submitted Sell Order, and the denominator of which will be the principal amount of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid will be deemed to be and will be accepted as a Hold Order and each such Existing Owner will be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Auction Rate with respect to the Bonds will be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Bonds which is not an Authorized Denomination for Bonds on any Auction Date, the Auction Agent will by lot, in such manner as it will determine in its sole discretion, round up or down the principal amount of Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date will be an Authorized Denomination for Bonds, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase an Authorized Denomination of a principal amount of Bonds that is less than an Authorized Denomination for Bonds on any Auction Date, the Auction Agent will by lot, in such manner as it will determine in its sole discretion, allocate Bonds for purchase among Potential Owners so that the principal amount of Bonds purchased on such Auction Date by any Potential Owner will be an Authorized Denomination for Bonds, even if such allocation results in one or more of such Potential Owners not purchasing Bonds on such Auction Date.

Section 2.05. Notice of Auction Period Rate

(a) On each Auction Date, the Auction Agent will notify by telephone or other telecommunication device or other electronic communication acceptable to the parties or in writing each Broker-Dealer that participated in the Auction held on such Auction Date of the following with respect to Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealer (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealer submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date with respect to Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner will: (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Existing Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

Section 2.06. Index

(a) The Index on any Auction Date with respect to Bonds in any Auction Period of 35 days or less will be the One Month LIBOR Rate on such date. The Index with respect to Bonds in any Auction Period greater than 35 days but less than 365 days shall be the rate on the most recently auctioned United States Treasury Securities ("on-the-run") having a maturity which most closely approximates the length of the Auction Period, as last published in *The Wall Street Journal*. If either rate is unavailable, the Index will be an index or rate agreed to by the Broker-Dealer and consented to by the Borrowers.

"One Month LIBOR Rate" means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

(b) If for any reason on any Auction Date the Index will not be determined as hereinabove provided in this Section, the Index will be the Index for the Auction Period ending on such Auction Date.

(c) The determination of the Index as provided herein will be conclusive and binding upon the Borrowers, the Trustee, the Broker-Dealer, the Auction Agent and the Owners of the Bonds.

Section 2.07. Miscellaneous Provisions Regarding Auctions

(a) In this **APPENDIX D**, each reference to the purchase, sale or holding of Bonds will refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an Auction Rate Mode, the provisions of the Indenture, including without limitation this Indenture and the definitions contained therein and described in this APPENDIX D, including without limitation the definitions of Auction Multiple, Auction Period Rate, Default Rate, Index, Maximum Auction Rate, Maximum Interest Rate, and All Hold Rate, may be amended pursuant to the Indenture by obtaining the consent of the Owners of all Outstanding Bonds bearing interest at an Auction Period Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the Owners of the Outstanding Bonds as required by the Indenture, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate and (ii) there is delivered to the Trustee an opinion of Bond Counsel to the effect that such amendment is lawful under the Act, will not adversely affect the validity of the Bonds and will not adversely affect the exclusion of interest on such Bonds from gross income for Federal income tax purposes, the proposed amendment will

be deemed to have been consented to by the Owners of all affected Outstanding Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the Authority or the Trustee that it is unwilling or unable to continue as Owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and authorized denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Authority and the Trustee.

During an Auction Rate Mode, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a Beneficial Owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer will not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.08. Changes in Auction Period or Auction Date

(a) Changes in Auction Period.

(i) During any Auction Rate Mode, the Borrowers may, from time to time on any Interest Payment Date, change the length of the Auction Period with respect to all of the Bonds among daily, seven-days, 28-days, 35-days, three months, six months and a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Borrowers will initiate the change in the length of the Auction Period by giving written notice to the Trustee, the Bank, the Auction Agent, the Broker-Dealer and the Securities Depository that the Auction Period will change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period will be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and will be for all of the Bonds in an Auction Rate Mode.

(iii) The change in the length of the Auction Period for any Bonds will not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change.

(iv) The change in length of the Auction Period for any Bonds will take effect only if

(A) the Trustee, the Paying Agent and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day before the Auction Date for the first such Auction Period, written notice from the Borrowers specifying the change in the length of the Auction Period and

(B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period.

For purposes of the Auction for such first Auction Period only, each Existing Owner will be deemed to have submitted Sell Orders with respect to all of its Bonds except to the extent such Existing Owner submits an Order with respect to such Bonds. If the condition referred to in (A) above is not met, the Auction Period Rate for the next Auction Period will be determined pursuant to the Auction Procedures and the Auction Period will be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the Auction Period Rate for the next Auction Period will be the Maximum Auction Rate, and the Auction Period will be a seven-day Auction Period.

(v) On the conversion date for Bonds selected for conversion from one Auction Period to another, any Bonds which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order.

(b) Changes in Auction Date. During any Auction Rate Mode, the Auction Agent, with the written consent of the Borrowers, may specify an earlier Auction Date for any Series of Bonds (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of “Auction Date” in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Bonds. The Auction Agent will provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Paying Agent, the Borrowers, the Broker-Dealer and the Securities Depository.

Section 2.09. Conversions from an Auction Rate Mode

At the option of the Borrowers, the Interest Rate Mode applicable to all or a portion of the Bonds may be converted from an Auction Rate Mode to a Daily Rate Mode, a Weekly Rate Mode, a Flexible Rate Mode, a Term Rate Mode or a Fixed Rate Mode in accordance with Section 2.06 of this Indenture and, except in the case of such change to a Fixed Rate Mode, the following additional requirements:

(i) If the Bonds are in an Auction Period other than a daily Auction Period, the effective date of the change in the Interest Rate Mode will be the Interest Payment Date following the final Auction Date. If the Bonds are in a daily Auction Period, the effective date of the change in the Interest Rate Mode will be the next regularly scheduled Interest Payment Date.

(ii) The Borrowers will give written notice of any such change in the Interest Rate Mode to the Bank, the Trustee, the Remarketing Agent, if any, the Auction Agent and the Broker-Dealer not less than seven Business Days prior to the date on which the Trustee is required to notify the Owners of Bonds of the conversion pursuant to Section 2.06 of this Indenture. Such notice will specify the proposed effective date of the change in the Interest Rate Mode and the Interest Rate Mode to which such change will be made (and the length of any Term Period).

(iii) If on the effective date of a change in the Interest Rate Mode for the Bonds any condition precedent to such change required under this Indenture is not satisfied, notice thereof required by Section 2.06(b)(vi) of this Indenture also shall confirm that the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to such Bonds which otherwise would have been converted excluding, however, the Auction Date falling on the Business Day next preceding the failed effective date of such change in the Interest Rate Mode, and that the interest rate will continue to be the Auction Period Rate; provided, however, that the interest rate borne by the Bonds during the Auction Period commencing on such failed effective date of the change in the Interest Rate Mode will be the Maximum Auction Rate and the Auction Period will be the seven-day Auction Period.

AUCTION AGENT

The Auction Agent shall be appointed by the Trustee at the written direction of the Borrowers, to perform the functions specified in this Indenture. The Auction Agent will signify its acceptance of the duties and obligations imposed upon it under this Indenture by entering into an Auction Agreement which will set forth such procedural and other matters relating to the implementation of the Auction Procedures as will be satisfactory to the Borrowers and the Trustee. Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Bonds with the same rights as if such entity were not the Auction Agent.

The Auction Agent will be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof, or (b) a member of NASD having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by the Indenture and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving such notice to the Borrowers, the Bank, the Paying Agent and the Trustee as may be agreed to between the Auction Agent and the Borrowers. The Auction Agent may be removed by the Borrowers by such notice, delivered to the Auction Agent, the Bank, and the Trustee as may be agreed to between the Auction Agent and the Borrowers. Upon any such resignation or removal, the Trustee shall at the written direction of the Borrowers appoint a successor Auction Agent meeting the requirements of this Indenture. In the event of the resignation or removal of the Auction Agent, the Auction Agent will pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. Except as may be otherwise provided in the Auction Agreement, the Auction Agent will continue to perform its duties until its successor has been appointed by the Borrowers.

BROKER-DEALER

One or more Broker-Dealer shall be appointed by the Borrowers with respect to the Bonds on or prior to the effective date of a change in the Interest Rate Mode applicable to the Bonds to an Auction Rate Mode. Each Broker-Dealer will signify its acceptance of the duties and obligations imposed upon it under this Indenture by entering into a Broker-Dealer Agreement, which will set forth such procedural and other matters relating to the performance of its functions as will be satisfactory to the Borrowers and the Trustee. Any Broker-Dealer may at any time resign and be discharged of the duties and obligations created by the Indenture by giving such notice to the Borrowers and the Trustee as may be agreed to between the Broker-Dealer and the Borrowers. Any Broker-Dealer may be removed by the Borrowers by such notice, delivered to the Borrowers and the Trustee, as may be agreed to between the Broker-Dealer and the Borrowers. Upon any such resignation or removal, the Borrowers will appoint a successor Broker-Dealer. In the event of the resignation or removal of any Broker-Dealer, such Broker-Dealer will pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor.

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